



FINANCIAL REPORT

Q4 2025

(unaudited)



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Q4 VARIANCE REPORT

A memo on behalf of City Administration

The City of Red Deer closed 2025 in an improved financial position relative to earlier in the year, with fourth quarter results contributing to an overall annual surplus of approximately \$59.3 million, driven by utility operations, capital revenues, and favourable timing of expenditures.

The year-end position reflects the combined impact of utility performance, expenditure timing, and vacancies across several service areas. While these factors strengthened results in 2025, they are largely non-recurring and do not address underlying structural pressures within tax-supported operations.

Tax-supported services continued to experience cost pressures consistent with earlier quarters. Vacancy savings and expenditure management partially offset these pressures in 2025; however, these are not sustainable long-term solutions and will require ongoing attention.

Utility operations remained a significant contributor to overall financial performance. Capital program delivery progressed through the year, with some projects and associated funding carrying forward due to timing. The City's cash position improved at year-end, reflecting timing of receipts and expenditures, and providing increased short-term liquidity. However, this improvement is largely timing-related and does not reflect sustained cashflow strength, as seasonal and planned outflows are expected to reduce balances in early 2026.

Long-term debt increased to support capital investment and remains within approved limits. Reserve balances have improved but remain below target levels in key areas, reinforcing the need for continued focus on financial sustainability.

Compared to the third quarter, year-end results reflect the cumulative impact of operational savings, timing differences, and stable revenues. While this provides a stronger closing position for 2025, it does not eliminate the ongoing financial pressures identified earlier in the year. Administration continues to advance the Financial Roadmap, with a focus on improving alignment between service delivery, funding, and long-term financial sustainability. Financial performance will continue to be monitored and reported through the regular reporting cycle.

<https://www.reddeer.ca/city-government/city-budgets-and-financial-planning/financial-roadmap/>



Sam Mugford, CPA, CA
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2025 (in thousands of dollars)

Unaudited

	December 31, 2025	December 31, 2024
Financial Assets		
Cash and cash equivalents	\$ 37,023	\$ 12,247
Accounts receivable	73,296	53,768
Land ready for sale	7,888	9,460
Investments	171,246	163,949
Loans receivable	11,121	10,818
	300,574	250,242
Liabilities		
Accounts payable and accrued liabilities	56,531	57,239
Deposits and other liabilities	4,078	4,103
Deferred revenue	85,231	84,765
Employee benefit obligations	13,850	16,208
Asset retirement obligations	11,773	15,139
Long-term debt	304,477	286,306
	475,940	463,760
	(175,366)	(213,518)
Net Debt		
Non-Financial Assets		
Tangible capital assets	2,248,329	2,225,215
Land not ready for sale	35,879	35,879
Inventory held for use	4,820	3,894
Prepaid expenses	4,074	4,520
	2,293,102	2,269,508
Accumulated Surplus	\$ 2,117,736	\$2,055,990

UNCONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2025 (in thousands of dollars)
Unaudited

	Tax-Supported Operations		Utility-Supported Operations		Other Self-Supported Operations		Total Operations	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Revenues								
Net property and other taxes	\$ 175,003	\$ 156,509	\$ -	\$ -	\$ -	\$ -	\$ 175,003	\$ 156,509
User fees and sale of goods	38,311	37,386	173,297	161,230	7,952	3,389	219,560	202,005
Operating government transfers	15,821	17,469	-	-	-	-	15,821	17,469
Investment earnings	2,467	2,277	-	719	1	493	2,468	3,489
Fines and penalties	4,728	5,370	477	472	40	-	5,245	5,842
Natural gas distribution franchise	9,949	10,105	-	-	-	-	9,949	10,105
Licenses and permits	4,849	2,672	-	-	-	-	4,849	2,672
Other revenue	2,369	2,714	2,080	581	22	1,058	4,471	4,353
	253,497	234,502	175,854	163,002	8,015	4,940	437,366	402,444
Expenses by Object								
Salaries, wages, and benefits	146,404	138,528	21,351	20,777	4,086	3,666	171,841	162,971
Contracted services	27,924	25,903	23,221	21,736	3,903	4,686	55,048	52,325
Materials and supplies	12,738	16,343	37,633	38,116	6,572	12,160	56,943	66,619
Purchases from other governments	32,308	33,631	-	-	-	-	32,308	33,631
Grants to organizations	17,954	31,096	-	-	-	-	17,954	31,096
Financial charges	8,817	8,211	2,288	2,134	75	119	11,180	10,464
Amortization	52,703	51,594	25,331	24,820	8,138	6,871	86,172	83,285
Accretion expense	183	114	113	128	-	-	296	242
Other expenses	2,870	567	584	524	(1,546)	9	1,908	1,100
	301,901	305,987	110,521	108,235	21,228	27,511	433,650	441,733
Annual operating surplus (deficit) before other	(48,404)	(71,485)	65,333	54,767	(13,213)	(22,571)	3,716	(39,289)
Other items								
Capital government transfers	36,948	19,564	6,544	9,099	578	1,913	44,070	30,576
Contributed tangible capital assets	6,262	1,221	1,437	572	-	4	7,699	1,797
Developer and customer contributions	1,178	1,035	2,500	1,039	-	-	3,678	2,074
Net effect of annexation	-	491	-	-	-	-	-	491
Other capital revenue	130	34	-	-	-	-	130	34
Annual operating surplus (deficit)	\$ (3,886)	\$ (49,140)	\$ 75,814	\$ 65,477	\$ (12,635)	\$ (20,654)	\$ 59,293	\$ (4,317)

UNCONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS

For the Year Ended December 31, 2025 (in thousands of dollars)
Unaudited

	Opening Balance January 1, 2025	Additions	Reductions	Closing Balance December 31, 2025
Unrestricted Deficit				
Operating fund	\$ -	\$ 55,921	\$ (55,921)	\$ -
Capital fund	(57,109)	38,362	-	(18,747)
	(57,109)	94,283	(55,921)	(18,747)
Reserves				
Capital projects - tax supported	18,526	100,013	(100,596)	17,943
Operating reserve - tax supported	(5,447)	19,846	(5,254)	9,145
Municipal parkland	7,528	84	(234)	7,378
Finance a specific purpose	3,061	187	(25)	3,223
Capital asset replacement (fleet)	40,713	10,569	(14,366)	36,916
Land development	49,158	21,679	(36,683)	34,154
Offsite	(37,239)	8,034	(7,623)	(36,828)
Power	25,836	28,618	(17,221)	37,233
Wastewater	26,032	20,511	(16,724)	29,819
Solid waste management	29,672	5,404	(7,626)	27,450
Water	1,449	18,530	(10,409)	9,570
	159,289	233,475	(216,761)	176,003
Equity in Tangible Capital Assets				
Constructed tangible capital assets	1,825,682	100,595	(79,965)	1,846,312
Construction in progress	89,197	104,806	(100,616)	93,387
Contributed tangible capital assets	310,336	7,699	(9,405)	308,630
Long-term debt for capital purposes	(254,485)	15,264	(37,527)	(276,748)
Asset retirement obligations	(15,139)	3,677	(311)	(11,773)
	1,955,591	232,041	(227,824)	1,959,808
Remeasurement Gain (Loss)	(1,781)	-	2,453	672
Accumulated Surplus	\$2,055,990	\$ 559,799	\$ (498,053)	\$ 2,117,736

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025 (in thousands of dollars)
Unaudited

	December 31, 2025	December 31, 2024
Net inflow (outflow) of cash related to the following:		
Operating Activities		
Annual operating surplus (deficit)	\$ 59,293	\$ (4,317)
Non-cash items included in annual operating surplus (deficit):		
Contributed tangible capital assets	(7,699)	(1,797)
Tangible capital assets received in annexation	-	(503)
Amortization of tangible capital assets	86,172	83,285
(Gain) loss on disposal of tangible capital assets	532	(950)
Accretion on asset retirement obligations	296	242
Change in estimate for asset retirement obligations	(5)	(106)
Non-cash charges to operations:		
Accounts receivable	(19,528)	8,270
Land ready for sale	1,572	(473)
Loans receivable	(303)	6,760
Accounts payable and accrued liabilities	(708)	3,519
Deposits and other liabilities	(25)	396
Deferred revenue	466	(3,492)
Employee benefit obligations	(2,358)	630
Land not ready for sale	-	3,752
Inventory held for use	(926)	(122)
Prepaid expenses	446	871
	117,225	95,965
Capital Activities		
Acquisition of tangible capital assets	(108,344)	(109,344)
Proceeds on disposal of tangible capital assets	2,689	1,319
Asset retirement obligations settled	(117)	(120)
	(105,772)	(108,145)
Investing Activities		
Investments purchased	(74,723)	(42,760)
Investments redeemed	69,875	69,428
	(4,848)	26,668
Financing Activities		
Long-term debt issued	37,527	17,565
Long-term debt repaid	(19,356)	(21,439)
	18,171	(3,874)
Change in cash and cash equivalents during the year	24,776	10,614
Cash and cash equivalents, start of year	12,247	1,633
Cash and cash equivalents, end of year	\$ 37,023	\$ 12,247

CAPITAL PROJECT INFORMATION

For the Year Ended December 31, 2025 (in thousands of dollars)

Unaudited

	Inception to Date Budget	Inception to Date Actual	Budget Remaining	Year to Date Actual
Capital Funding by Source:				
Net reserve transfers	\$ 465,137	\$ 147,804	\$ 317,333	\$ 55,410
Capital debt issued	238,324	169,748	68,576	37,527
Capital government transfers	330,864	288,655	42,209	44,070
Developer and customer contributions	52,719	18,669	34,050	3,678
Transfer to other projects	(5,788)	(26,352)	20,564	-
Operating funded by capital	(25,571)	(25,519)	(52)	500
Operating debt approved as capital	-	-	-	3,634
Asset retirement obligations	136	2,244	(2,108)	(3,551)
Other capital revenue	3,226	115,712	(112,486)	1,900
	1,059,047	690,961	368,086	143,168
Capital Expenditures by Function:				
Transportation	410,750	311,477	99,273	34,967
Subdivisions	145,661	65,047	80,614	922
Wastewater	115,978	62,285	53,693	15,598
Fleet	117,926	74,176	43,750	15,501
Electric	64,916	34,736	30,180	12,851
Recreation, parks and culture	92,618	70,239	22,379	8,519
Water	48,919	31,641	17,278	10,342
General government services	32,160	17,056	15,104	3,376
Waste management	13,270	6,306	6,964	671
Fire and ambulance	13,723	9,743	3,980	1,497
Police and other protective	2,985	2,609	376	562
Public health and planning	141	-	141	-
	1,059,047	685,315	373,732	104,806
Capital surplus (deficit)	\$ -	\$ 5,646	\$ (5,646)	\$ 38,362

LONG-TERM DEBT SUMMARY

For the Year Ended December 31, 2025 (in thousands of dollars)

Unaudited

	December 31, 2025	December 31, 2024
Opening Balance January 1, 2025	\$ 286,306	\$ 290,180
Add: New debt issuance	37,527	17,565
Less: Principal payments	(19,356)	(21,439)
Ending Balance December 31, 2025	304,477	286,306
Balance made up of:		
Tax-supported debentures	207,109	198,329
Utility-supported debentures	72,584	62,012
Offsite-supported debentures	15,732	14,492
Land and other self-supported debentures	9,052	11,473
	\$ 304,477	\$ 286,306
Interest expense	\$ 10,809	\$ 10,154

DEBT & DEBT SERVICING LIMIT

For the Year Ended December 31, 2025 (in thousands of dollars)
Unaudited

	December 31, 2025	December 31, 2024
Debt Limit		
Consolidated revenue as defined by Alberta Regulation 255/00 ending December 31, 2025	\$ 444,629	\$ 409,285
	x 1.5	x 1.5
Provincial debt limit	666,944	613,928
Less long-term debt outstanding	(304,477)	(286,306)
Available to borrow under Alberta Regulation 255/00	362,467	327,622
Provincial debt limit percentage	46%	47%
Compliant with Alberta Regulation 255/00?	Yes	Yes
Council debt limit (75% Provincial debt limit)	500,208	460,446
Less long-term debt outstanding	(304,477)	(286,306)
Available to borrow under Council Policy G.P.F-2.2	195,731	174,140
Council debt limit percentage	61%	62%
Compliant with Council Policy G.P.F-2.2?	Yes	Yes
Debt Servicing		
Consolidated revenue as defined by Alberta Regulation 255/00 ending December 31, 2025	444,629	409,285
	x 25 %	x 25 %
Debt service limit	111,157	102,321
Less debt servicing	(29,911)	(29,499)
Debt servicing allowed under Alberta Regulation 255/00	81,246	72,822
Debt service limit percentage	27%	29%
Compliant with Alberta Regulation 255/00?	Yes	Yes

Q4 2025 PROCUREMENT ACTIVITY REPORT

Awarded over \$200,000 from October 1 – December 31, 2025

This information is available to all vendors with bids & tenders accounts.

Attached is the procurement activity for Q4 that was posted on bids & tenders. All competitions were best value.

Project Name	Awarded Vendor	Completed Submissions	Company Location	Awarded Value
Waste Management Facility Cell Redevelopment	Pidherney's Inc.	5	Blackfalds, AB	\$590,404.60
Cell 6 Leachate Sump Retrofit	Balzer's Canada Inc.	1	Rockyview, AB	\$374,308.28
Tree Trimming and Disposal	Wright Tree Services of Canada Ltd.	3	Calgary, AB	\$262,281.60
Signal infrastructure Replacement Program - 2026	Raylec Power (Alberta) LP	4	Rockyview, AB	\$1,474,923.65
Capstone Area Redevelopment-Green Spine Park Phase 2	RBW Consulting (2015) Ltd.	3	Red Deer, AB	\$1,725,044.07

OPERATING BUDGET VARIANCES

For the Year Ended December 31, 2025 (in thousands of dollars)

Unaudited quarterly reports provide timely, high-level financial information that helps Council and the public monitor trends, identify emerging pressures, and support informed decision-making throughout the year.

Division / Department	Explanation	Total Variance	Favourable vs Unfavourable
Office of Mayor & Council			
Mayor & Council	Conference grant viability is being assessed, partially offset by other event costs. Lower discretionary spending and elected official transition costs contributed to the variance.	\$ 132	Favourable
Office of City Manager			
Enterprise Strategy	Favourable variance due to staff vacancy, the Official Community Plan (OCP) project postponement and reduced contracted services.	193	Favourable
Community Services			
Community Services GM	Office space reconfiguration.	46	Unfavourable
Parks & Public Works	Vacancies and increased capital allocations, less snow and ice control contacted services, minimal purchased sand, proceeds from parks land disposal, and increased 3rd party recovery and less external work offset by reinstating turf mowing and increased asphalt and concrete repairs.	3,182	Favourable

OPERATING BUDGET VARIANCES CONTINUED

For the Year Ended December 31, 2025 (in thousands of dollars)

Division / Department	Explanation	Total Variance	Favourable vs Unfavourable
Community Services Continued			
Utilities	Electric transmission revenue higher than expected, electric transmission admin recovery of unplanned revenue, more electric rider revenue, utility locate unplanned revenue recoveries from F3 Fibre project, residential garbage and organics revenue, vacancies, underspent biosolids wastewater treatment plant contracted services due to biosolid digester outage, utility governance consulting work carried forward, less power transmission charges, and wastewater collections contracted services spending, offset by less wastewater volume for regional, less overstrength revenue with increased compliance, landfill tonnages tracking lower, and bad debt write-offs.	13,182	Favourable
Safe & Healthy Communities	Strong recreation membership and pass sales, vacancies, less contracted services, maintenance costs moved to operating and funded by capital, offset by increased contract for Reaching Home, more electricity, and more pool treatment chemicals.	1,562	Favourable
Transit & Fleet	Increased fleet repairs & maintenance, increased rentals, and parts offset by transit revenue, unbudgeted low income transit program grant, fuel savings and vacancies.	1,033	Unfavourable

OPERATING BUDGET VARIANCES CONTINUED

For the Year Ended December 31, 2025 (in thousands of dollars)

Division / Department	Explanation	Total Variance	Favourable vs Unfavourable
Finance & Business Excellence			
CSV Business Excellence	Vacancies, offset by credit card fees	562	Favourable
Financial Services/CFO	Favourable variance due to staff vacancies filled later in the year and Financial Road Map funding remaining to be spent in 2026.	251	Favourable
General Municipal Revenue	Realized losses on investments, new debt, lower than expected ATCO fees, and unallocated training budget reduction, offset by unbudgeted WEA loan interest/amortization on grant portion of loan.	2,525	Unfavourable

OPERATING BUDGET VARIANCES CONTINUED

For the Year Ended December 31, 2025 (in thousands of dollars)

Division / Department	Explanation	Total Variance	Favourable vs Unfavourable
Corporate & Employee Services			
Corporate & Employee Services GM	Primarily due to higher salary costs and net book value of asset disposal, partially offset by lower travel, conference, and depreciation expenses.	36	Unfavourable
Revenue & Assessment	Lower than anticipated assessment appeals, tax penalties greater than budgeted, remaining Grant In Place of Taxes (GIPOT) 25% in 2026 and bad debt write-off on abandoned property. Staff vacancies and higher than anticipated tax certificate revenue.	2,452	Favourable
Human Resources	Limited advertising, internal training accreditation reduced; higher WCB rebate revenue; reduced awards, and asset disposal.	339	Favourable
Community & Public Relations	Due to unfilled positions, project timing (Annual Benchmarking, Citizen Satisfaction and Public Relations, and CF Citizen & Customer Experience), and lower professional services.	206	Favourable
Information & Technology	Favourable variance due to projects deferred to 2026, cybersecurity contract timing, and delayed staffing.	672	Favourable
Legal & Legislative	Overall favourable variance mainly driven by higher school board election cost-sharing revenue, lower election wages, and staffing vacancies, partially offset by higher legal fees, overtime, and election contracted services.	516	Favourable

OPERATING BUDGET VARIANCES CONTINUED

For the Year Ended December 31, 2025 (in thousands of dollars)

Division / Department	Explanation	Total Variance	Favourable vs Unfavourable
Growth & Development			
Growth & Development GM	Vacancies from leaves & temp unfilled positions.	197	Favourable
Engineering	Increased utility alignment and use of streets permits related to fiber optic installation by F3, proceeds from right of way land sale and vacancies.	1,487	Favourable
City Planning & Growth	Vacancies and reduced contracted services.	275	Favourable
Inspections & Licensing	Increased revenues permit (hospital) & license revenue, offset by less parking & fine revenue; vacancies from leaves & delays in hiring, less material and supplies (primarily utilities), offset by no towing for snow removal or spring sweep during the year.	2,190	Favourable
Land & Economic Development	Decreased land sales partially offset by reduced cost of land sales, increased realtor fees, reduced staffing due to vacancies and leaves, carry forward request for Economic Leader to 2026 budget; and reduced Airport payment to match payment from RD County.	1,009	Unfavourable

OPERATING BUDGET VARIANCES CONTINUED

For the Year Ended December 31, 2025 (in thousands of dollars)

Division / Department	Explanation	Total Variance	Favourable vs Unfavourable
Protective Services			
Protective Services GM	Leave of absence and delay in hiring.	74	Favourable
Emergency Services	Higher revenues for call volumes due to additional ambulances, AHS payment, decreased maintenance contracted services, lower IT software refresh (transfer to capital for wireless 911) and surplus from not being at full staffing, offset by increased costs from contract settlement and retro-pay.	412	Unfavourable
Municipal Policing	RCMP contract (less active members), higher Automated Traffic Enforcement (ATE) revenue and lower manually issued tickets due to slower transition from ATE to Community Peace Officers (CPO) as well as unbudgeted speed on green revenue from violations prior to shut down, partially offset with reduced ATE expenses & salary surplus from CPO hiring delays and vacancies.	5,585	Favourable
Total Operating Surplus		\$27,996	Favourable



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