



# 2024 Budget Update

Recommended adjustments to the  
2024 operating budget and capital  
budget.

# 2024 Budget Update – Key Points

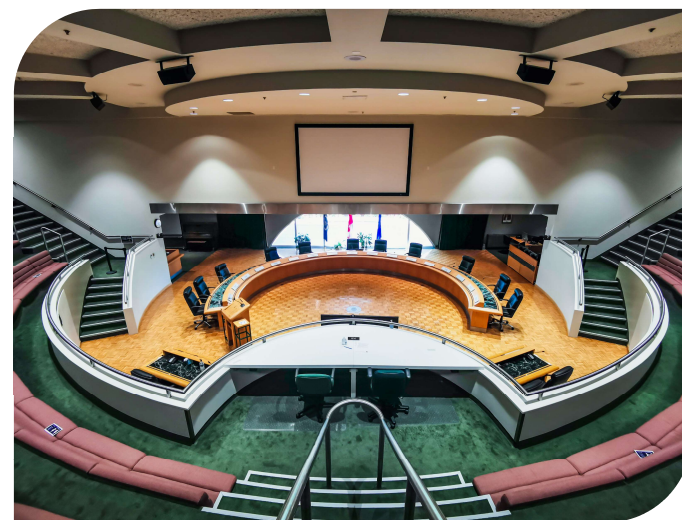
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- Key Budget Assumptions largely unchanged
- Continues to achieve broad objectives
- Reduces Municipal Gap by \$0.8M
- Reflects current environment
- Supports a Financially-Sustainable and Livable Community

# 2024 Budget Update

## Agenda

- 2024 Budget Update: Opening Remarks
- Changes to Date
- Proposed Change – Impact on Fiscal Targets
- Proposed Changes Details:
  - Municipal Operating Budget
  - Municipal and Utility Capital Budget
  - Commodities Operating Budget
  - Commodities Capital Budget



# 2024 Budget Update – Opening Remarks

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What is a budget update and why?

Update management assumptions for significant changes:

- Revenue assumptions to Market Conditions (i.e., Commodity prices and Investments)
- Corporate Wide changes (i.e., Impacts of corporate restructure, Union Settlements)
- Budget oversights or changes in estimates

# 2024 Budget Update – Opening Remarks

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## Recommendations

It is recommended through the Administrative Committee that City Council approve:

- The amended 2024 Operating Budgets
- The amended 2024 Capital and Major Operating Expenses Budgets; and,
- The amended 2023-2024 Capital Funding Sources

## Council Approved Changes in 2023 and Impacts to 2024 Operating Budget

Date	Description	Business Unit	Amount
April 17, 2023	Community Inclusion Coordinator Position	Municipal	\$138,497
July 4, 2023	Additional security personnel hours for downtown transit terminal washrooms	Municipal	\$100,000
July 17, 2023	HALO Financial Support	Municipal	\$500,000
Sept 18, 2023	Medicine Hat Economic Development	Municipal	\$279,000
<b>Total</b>			<b>\$1,017,497</b>

	Amount
2024 Municipal Budget Gap – Original	\$6,005,000
Adjustments	\$1,017,000
<b>2024 Municipal Budget Gap - Current</b>	<b>\$7,022,000</b>

As a results of Council approved changes, the current budget gap before adjustments has increased by \$1.0M since the original budget

# Council Approved Changes in 2023 Capital Budget

Date	Description	Business Unit	Amount
April 3, 2023	CityView Workspace Migration	Municipal	\$100,000
April 3, 2023	Energy Business Development Opportunity	Commodities	\$7,000,000
April 17, 2023	Enabling Access Fund Grant	Municipal	\$52,311
April 17, 2023	ALERT Office Expansion	Municipal	\$130,000
June 5, 2023	Replace Fire Engine Units	Municipal	\$1,740,000
July 4, 2023	Saamis Heights Emergency-Use Access Road	Municipal	\$250,000
July 17, 2023	Curling Club Facility Purchase	Municipal	\$870,000
July 17, 2023	Next Generation Energy Innovation Challenge	Utilities	\$2,405,000
August 21, 2023	Coulee Ridge Phase 2A, 2B and 2C	Utilities	\$630,174
<b>Total</b>			<b>\$13,177,485</b>

\$000s	Debenture	Grants	Internal Loan	Working Capital	External Sources	Reserves
<b>Funding</b>	\$0	\$1,502	\$0	\$7,358	\$757	\$3,560

# Proposed Changes – Net Impact on Fiscal Targets

*in thousands*

Business Unit Fiscal Target		Original 2024	Approved Amendments	Current 2024	Requested Amendments	Amended 2024
Municipal	Budget Gap	(6,005)	(1,017)	(7,022)	762	(6,261)
Land	EBITDA	(251)	0	(251)	0	(251)
Utilities	EBITDA	49,634	(27)	49,607	0	49,607
Commodities	EBITDA	54,305	27	54,332	26,558	80,890
<b>Total</b>		<b>97,684</b>	<b>(1,017)</b>	<b>96,666</b>	<b>27,319</b>	<b>123,986</b>

- The proposed adjustments will improve the City's Municipal Budget Gap by \$0.8M
- There are no proposed changes to Land or Utilities 2024 Operating Budget
- Commodity - separate briefing note showing increased EBITDA by \$26.6M



# Municipal – Overview

## 2024 Municipal Operating Budget

*in thousands*

	Original 2024	Approved Amendments	Current 2024	Requested Amendments	Amended 2024
Revenue	144,164	25	144,189	5,459	149,647
Expenses	196,445	2,360	198,805	4,147	202,951
Net Internal Recoveries (Charges)	20,428	1,310	21,739	4	21,743
<b>NET REVENUE (EXPENSES)</b>	<b>(31,853)</b>	<b>(1,024)</b>	<b>(32,878)</b>	<b>1,317</b>	<b>(31,561)</b>
<b>Cash Adjustments</b>					
Transfer to MOE	(2,170)	0	(2,170)	(555)	(2,725)
Amortization	43,178	7	43,184	0	43,184
Other Cash Adjustments	(15,159)	0	(15,159)	0	(15,159)
<b>Total Cash Adjustments</b>	<b>25,849</b>	<b>7</b>	<b>25,855</b>	<b>(555)</b>	<b>25,300</b>
<b>MUNICIPAL BUDGET GAP</b>	<b>(6,005)</b>	<b>(1,017)</b>	<b>(7,022)</b>	<b>762</b>	<b>(6,261)</b>

Administration's proposed changes and Council's previously approved amendments represent a \$0.3M net increase from the original budget approved on Dec 19/22.

# Municipal – Revenue

	Current 2024 BUDGET	Amendments Requested	New 2024 BUDGET
<b>REVENUE</b>			
Municipal Taxes	89,033,315	536,177	89,569,492
Sale of Services	18,506,439	(23,316)	18,483,123
Investment Income	16,280,943	4,247,157	20,528,100
Other Revenue	6,325,648	132,700	6,458,348
Licenses, Fines and Penalties	6,041,877	0	6,041,877
Government Transfers for Operating	4,727,281	609,057	5,336,338
Contribution from Utilities and Land	3,150,000	0	3,150,000
Insurance Recovery	123,000	(43,000)	80,000
<b>TOTAL REVENUE</b>	<b>144,188,503</b>	<b>5,458,775</b>	<b>149,647,278</b>

## \$5.5M Increase to Revenue:

- \$0.5M Municipal Taxes due to 2023 adjusted physical growth (aligns with key assumptions)
- \$4.2M Investment Income due to a higher average portfolio balance
- \$0.6M Government Grants primarily due to MSI operating and other minor grant adjustments
- \$0.2M Other minor adjustments

# Municipal – Expense

	Current 2024 BUDGET	Amendments Requested	New 2024 BUDGET
<b>EXPENSES</b>			
Salaries, Wages and Benefits	104,768,335	1,955,185	106,723,520
Contracted and General Services	34,109,495	1,490,799	35,600,294
Materials, Goods & Utilities	9,912,180	31,247	9,943,427
Provision for Allowances	30,000	0	30,000
Bank Charges & Short Term Interest	371,402	(649)	370,753
Grants and Other Transfers	3,854,054	403,774	4,257,828
Interest on Long-term Debt	1,521,799	0	1,521,799
Other Operating Expenses	1,053,110	266,259	1,319,369
Amortization and Provision for Abandonment	43,184,475	0	43,184,475
<b>TOTAL EXPENSES</b>	<b>198,804,849</b>	<b>4,146,616</b>	<b>202,951,465</b>

## \$4.2M Increase to Expense:

- \$1.9M Salaries and Wages due to corporate restructuring, Police/Parks budget oversight adjustment, and benefit percentage rate adjustment
- \$1.5M Contracted Goods and Services primarily due to a higher investment management fees
- \$0.4M Grants and other transfers primarily due to increased government grants and library grants
- \$0.4M Other Operating Expenses and other minor adjustments primarily due to higher Grants In-Lieu Cancellation

# Municipal – Key Budget Assumptions

Revenue Assumptions	2024 Budget	2024 Budget Update
Property Tax Revenue (Base 4% + Assessment Growth 1%)	5%	5%
User Fees & Charges Increase	4%	4%
Annual Investment Returns	4.58%	4.46%
Municipal Consent & Access Fee Increase	\$1M	\$1M

Expense Assumptions	2024 Budget	2024 Budget Update
Managed Manpower Rate (as % of Salaries & Wages)	(4.2%)	(4.2%)
Benefit Rate (as % of Salaries & Wages)	20%	21%
Municipal Inflation Increase	4%	4%
Salaries & Wages Increase	2.5%	2.5%
Cost of Borrowing Increase	2%	2%
Capital Funding Amount	\$1.5M	\$1.5M
Major Operating Expense Funding Amount	\$2M	\$2M

# Municipal – Major Operating Expense

	Current 2024 BUDGET	Amendments Requested	New 2024 BUDGET
Transfer to MOE	(2,170,000)	(555,000)	(2,725,000)
<i>Airport Strategic Master Plan</i>		(250,000)	
<i>Facilities for the Future</i>		(305,000)	
<b>TOTAL OPERATING CASH ADJUSTMENTS</b>	<b>(2,170,000)</b>	<b>(555,000)</b>	<b>(2,725,000)</b>

*What is a Major Operating Expense?*

- Large one-time expenditure
- May span over several years
- MOE allows the department to carry forward approved funds into subsequent years
- MOEs are separated from regular expenses in the City's budget documents

# Capital – Municipal and Utilities

## Increase Capital Funding: 3<sup>rd</sup> Street Renewal Project

Department	2024 Approved Budget	Proposed Amendment	Total Amended Budget	Amended Funding Source
3 <sup>rd</sup> St SE project	\$3.40M	\$3.58M	\$6.98M	Working Capital/ Reserve
Police Projects	\$0.25M	(\$0.12M)	\$0.13M	Internal Loan
<b>Total</b>	<b>\$3.65M</b>	<b>\$3.46M</b>	<b>\$7.11M</b>	

## Change Funding Source: Parks and Recreation Trail Rehab Program

Year	Approved Budget	Approved Funding CCBF	Amended Funding – Capital Reserve
2023	\$0.917M	-\$0.917M	\$0.917M
2024	\$0.917M	-\$0.800M	\$0.800M
<b>Total</b>	<b>\$1.834M</b>	<b>-\$1.717M</b>	<b>\$1.717M</b>

# Recap Key Points

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- Key Budget Assumptions largely unchanged
- Continues to achieve broad objectives
- Reduces Municipal Gap by \$0.8M
- Reflects current environment
- Supports a Financially-Sustainable and Livable Community

# Recap – Municipal Recommendations

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- Approve the amended Municipal 2024 Operating Budget
- Approve the amended 2024 Municipal and Utilities Capital Budget and Municipal MOE Budget
- Approve the amended 2023-2024 Municipal Capital funding sources



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# QUESTIONS?



# Commodity Based Business Budget Update

Recommended adjustments to the  
2024 operating budget and capital  
budget.

FINANCE AND ENERGY MARKETING DEPARTMENT  
October 2023



# 2024 Commodities Budget Update

## Agenda

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- Current Activities and Opportunities
- Budget Amendment Key Changes
- 2023 in Review
- 2024 Outlook
- Operations Budget Update
- Capital Budget Update
- Recommendation



# Commodities – Current Activities and Opportunities

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Base Operations – forecasted to be in a positive EBITDA position for 2023

## Financial Plan

- Continue to optimize power assets to ensure reliable electricity supply while maximizing exports when possible
- Execute on opportunities to optimize operations and facilities while discontinuing uneconomic business activities
- Expect steady electric and natural gas retail demand
- Internal oil and gas volumes continue to decline due to dispositions and natural decline partially being offset by optimization activity
- Continue to execute on Shallow Gas A&R program

# Commodities – Budget Amendment Key Changes

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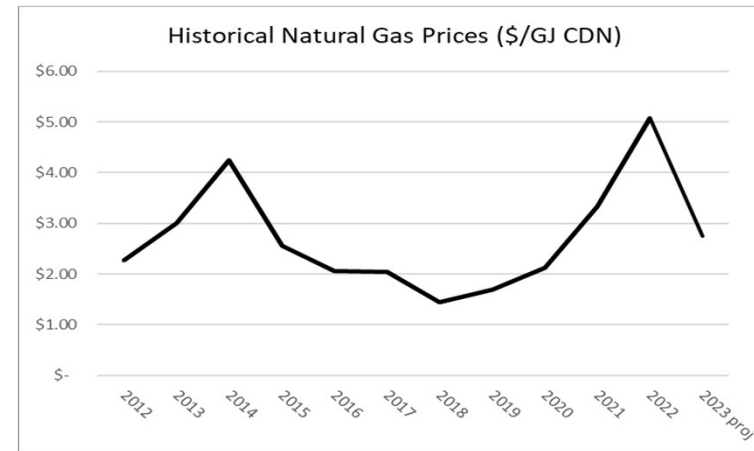
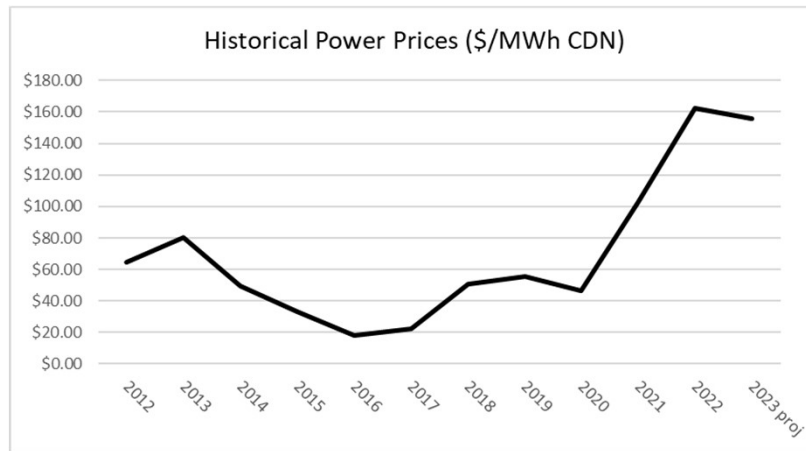
Review of the 2024 approved budget was conducted with the following *Key Changes* implemented:

- Updated price and volume forecast
- Revenues (function of volume and price)
- Gas Purchases and Gas Sales
- Operations & Maintenance Expenses
- Interest Earnings/Interest Expense
- Depreciation Expense
- Tangible Capital Asset Budget

Updated commodity prices and retail volumes assumptions are the primary reasons for the changes to revenues and operational expenses.

# Commodities – 2023 in Review

- Power prices have remained at some of the highest levels since the market deregulated and this combined with high market volatility provided increased opportunity for sales to the pool. This is also significantly higher than originally budget
- Gas prices have decreased due to lower-than-expected demand in north America with warmer heating period (winter) resulting in less draw from storage, and less LNG Exports with Freeport Delay and European markets having warmer heating period also.



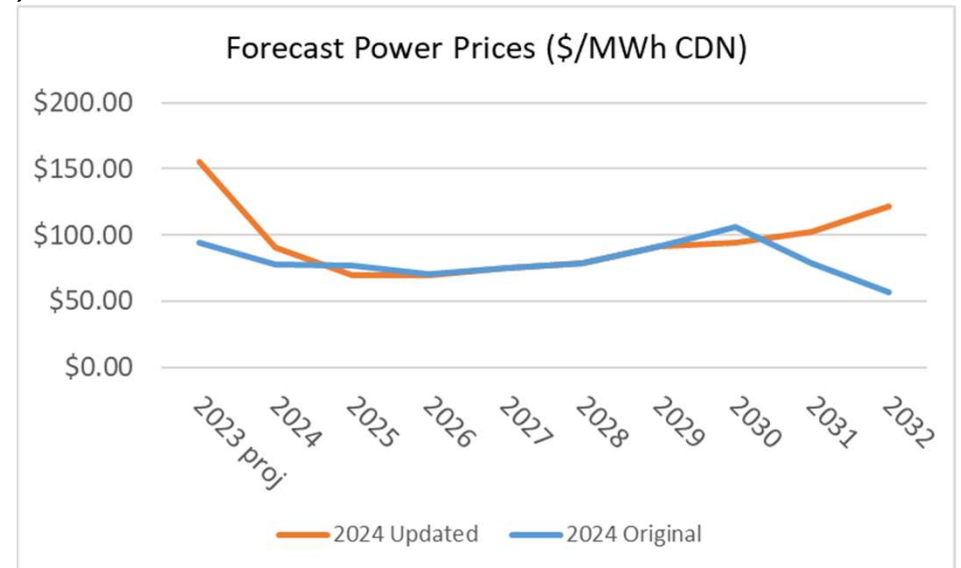
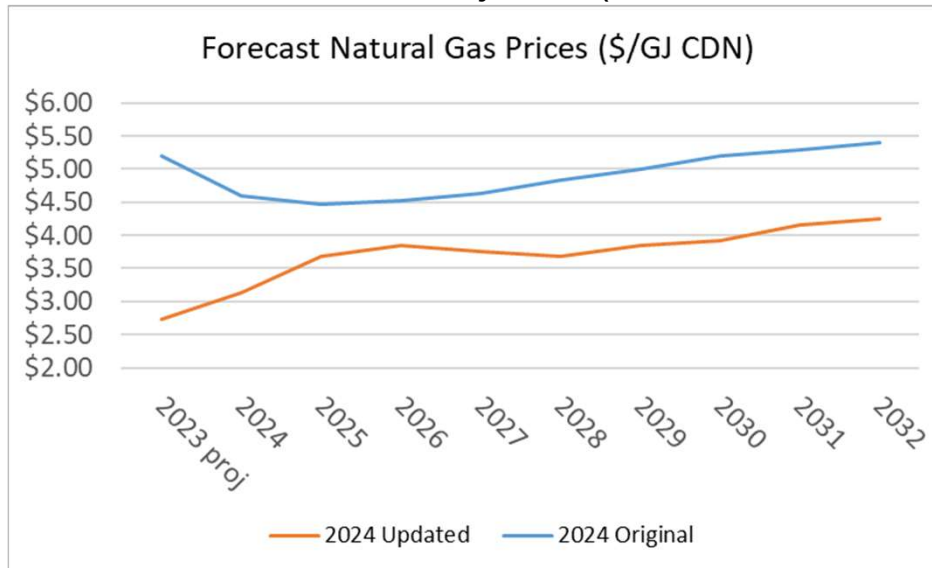
# Commodities – 2024 Outlook

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- The power market is expected to stay strong in 2024 but come off the recent market highs. The market continues to transition from coal leading to periods of tight supply/high volatility. However, there are expected large generation adds to come into the market in 2024 that will help lower price and volatility.
- The natural gas markets in North America shows signs of slight increase, as a result of fired gas plants across north America allowing for increased demand to meet peaking load for cooling/heating demand. This is offset however by less industrial demand and uncertainty with LNG Exports. In Canada supply continues to outpace demand but more take away capacity on NGTL has kept AECO in line with Henry Hub pricing.

# Commodities – Commodity Price

- 2024 amended budget price vs. 2024 approved budgeted price
  - Gas decrease by 32% (from \$4.59 to \$3.13)
  - Power increased by 17% (from \$77.66 to \$90.66)





# Commodities – Operating Budget Update

COMMODITY BASED BUSINESS in thousands (,000)	2024 Approved Budget		Adjustment	2024 Amended Budget	
Revenues*	\$	256,163	\$	8,460	\$ 264,622
Expenses	\$	196,311	\$	(20,148)	\$ 176,163
Transfers	\$	5,547	\$	2,023	\$ 7,569
EBITDA	\$	54,306	\$	26,584	\$ 80,890

\*Price forecast based on September (NGX - ICE and Western Canadian Select)

## Comco

- Revenues higher due to higher forecasted electricity commodity prices and additional sales to the retail customer base, partially offset by decrease in natural gas prices.
- Net decrease in expenses due to the decrease natural gas prices
- Transfers - Increase due to increase in electricity prices

# Commodities – Capital Budget Update

Commodity Based Business in thousands (,000)	2024 Original Budget		Adjustment		2024 Amended Budget	
Growth Capital	\$	0	\$	0	\$	0
Sustaining Capital*	\$	11,150	\$	500	\$	11,650
Abandonment and Reclamation	\$	0	\$	0	\$	0
<b>Tangible Capital Assets</b>	<b>\$</b>	<b>11,150</b>	<b>\$</b>	<b>500</b>	<b>\$</b>	<b>11,650</b>

\* Increase prices due to inflation and increased scope of work due to additional findings during work on current capital projects approved in the 2022 TCA budget

# Commodities – Hat Smart Funding

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- Hat Smart provides funding for existing and new home construction for energy efficiency programs
- Currently, Hat Smart is funded through the Environment Conservation Charge and provides approximately \$300k in funding
- This has been fully subscribed for the past few years with many projects on the waiting list
- Staff is proposing to transfer an additional 100k from the Natures Best Reserve to provide additional funding to this program



# Commodities – Natural Gas Bylaw Amendments

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For residential, small business and commercial customers

- **Single rate**; no choice during interim period
- **Based on wholesale market commodity prices**
  - Rates will be calculated monthly based on the procurement cost for the month of consumption
  - This price will be based on wholesale costs and should provide a benefit to the customer base

# Recap – Commodity Recommendations

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- Approve the amended Commodities 2024 Operating Budget
- Approve the amended 2024 Commodities Capital Budget
- Approve the proposed Gas Bylaw amendment
  - City Council approves first reading of amending bylaw 4798; and
  - After a non-statutory public hearing, that City Council approves second and third reading of amending bylaw 4798

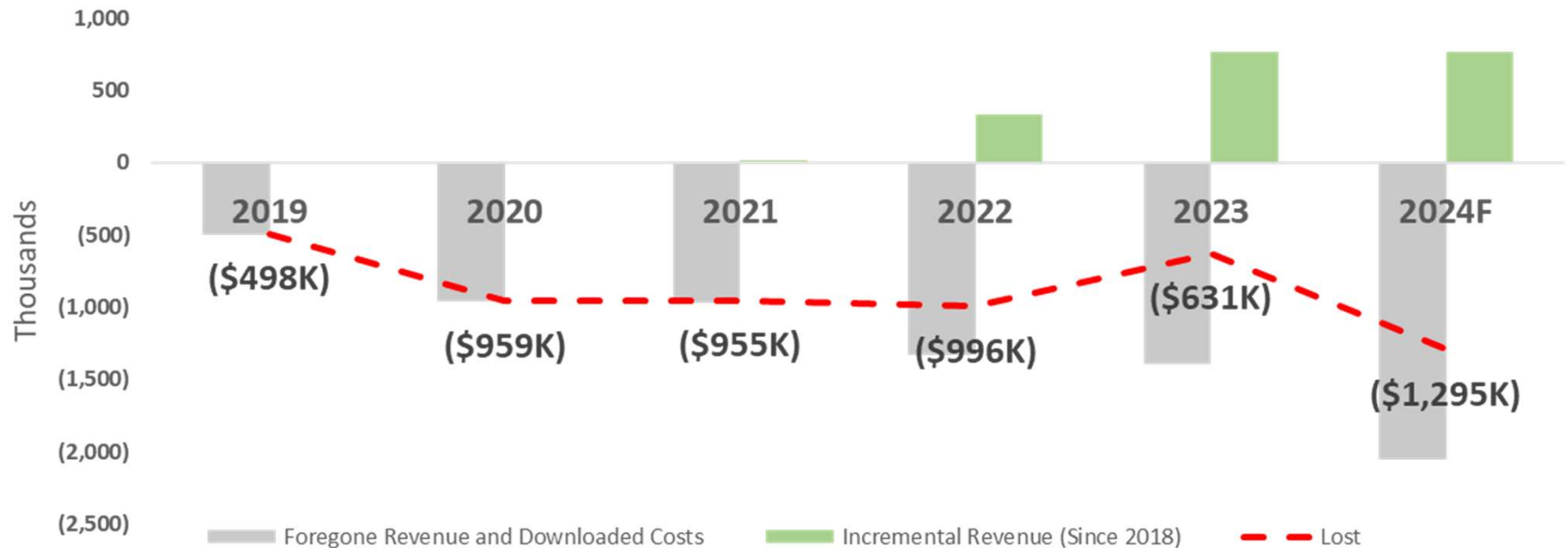
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# QUESTIONS?

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# APPENDIX

# Government Operating Funding



Since 2019, the Government of Alberta has made changes to its revenue sharing and subsidies that has had a negative impact in the City Financially.

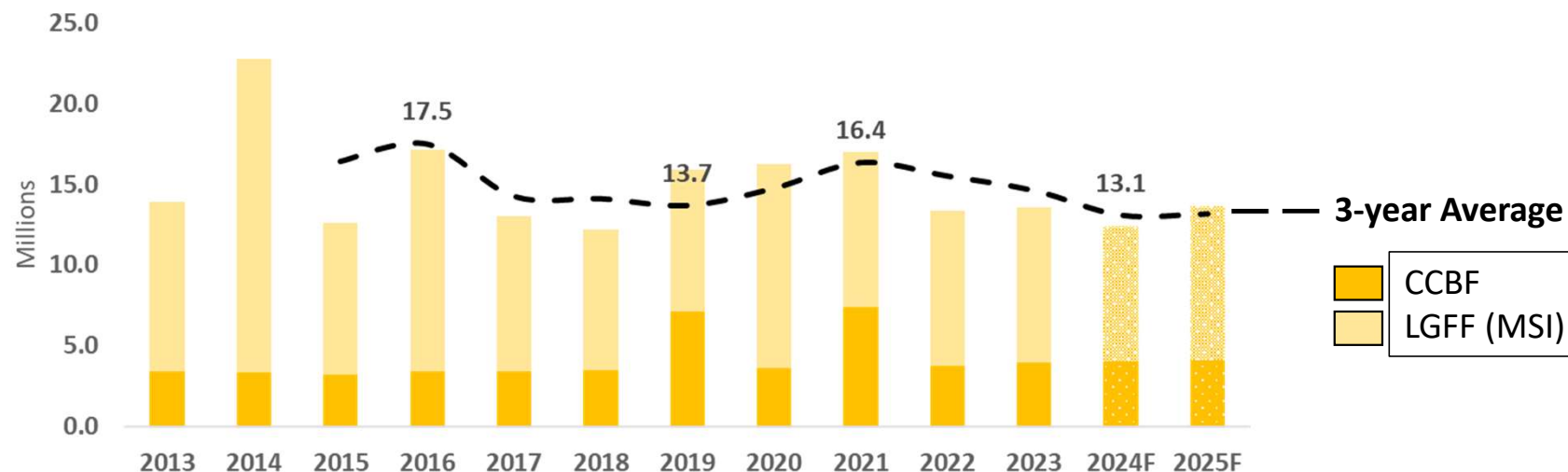


# Government Operating Funding

	2019 Impact \$000s	2020 Impact \$000s	2021 Impact \$000s	2022 Impact \$000s	2023 Impact \$000s	2024 Impact \$000s
<b>Incremental Revenue</b>						
Local Government Fiscal Framework (LGFF)	(2)	23	34	34	451	451
911 Mobility Grant	0	(18)	(18)	302	312	312
	<b>(2)</b>	<b>5</b>	<b>16</b>	<b>336</b>	<b>763</b>	<b>763</b>
<b>Foregone Revenue and Downloaded Costs</b>						
Increase in AB service fees for fine revenue	482	411	411	411	279	279
Grants in Place of Tax Cancellation	0	457	457	518	712	747
Change in interest calculation for loans	0	0	0	292	292	919
Greenhouses exempt from taxation	14	22	28	36	36	38
DNA/Case Biology Costs	0	75	75	75	75	75
	<b>496</b>	<b>964</b>	<b>971</b>	<b>1,332</b>	<b>1,394</b>	<b>2,058</b>
<b>Annual Loss</b>	<b>(498)</b>	<b>(959)</b>	<b>(955)</b>	<b>(996)</b>	<b>(631)</b>	<b>(1,295)</b>
<b>Accumulated Loss</b>	<b>(498)</b>	<b>(1,457)</b>	<b>(2,412)</b>	<b>(3,408)</b>	<b>(4,039)</b>	<b>(5,334)</b>

Since 2019, the City of Medicine Hat has had an accumulated operating loss of Provincial Support of \$5.3M.

# Government Capital Funding



## Major Capital Grant Allocations

	Actual 2023	10-year Average	Forecast 2024	Forecast 2025	Forecast Average
Canada Community Building Fund (CCBF)	3,960	4,275	4,039	4,120	4,080
Municipal Sustainability Initiative (MSI)	6,438	11,112	-	-	-
Local Government Fiscal Framework (LGFF)	-	-	8,367	9,503	8,935
<b>Total Major Grant Allocations</b>	<b>10,398</b>	<b>15,388</b>	<b>12,407</b>	<b>13,623</b>	<b>13,015</b>