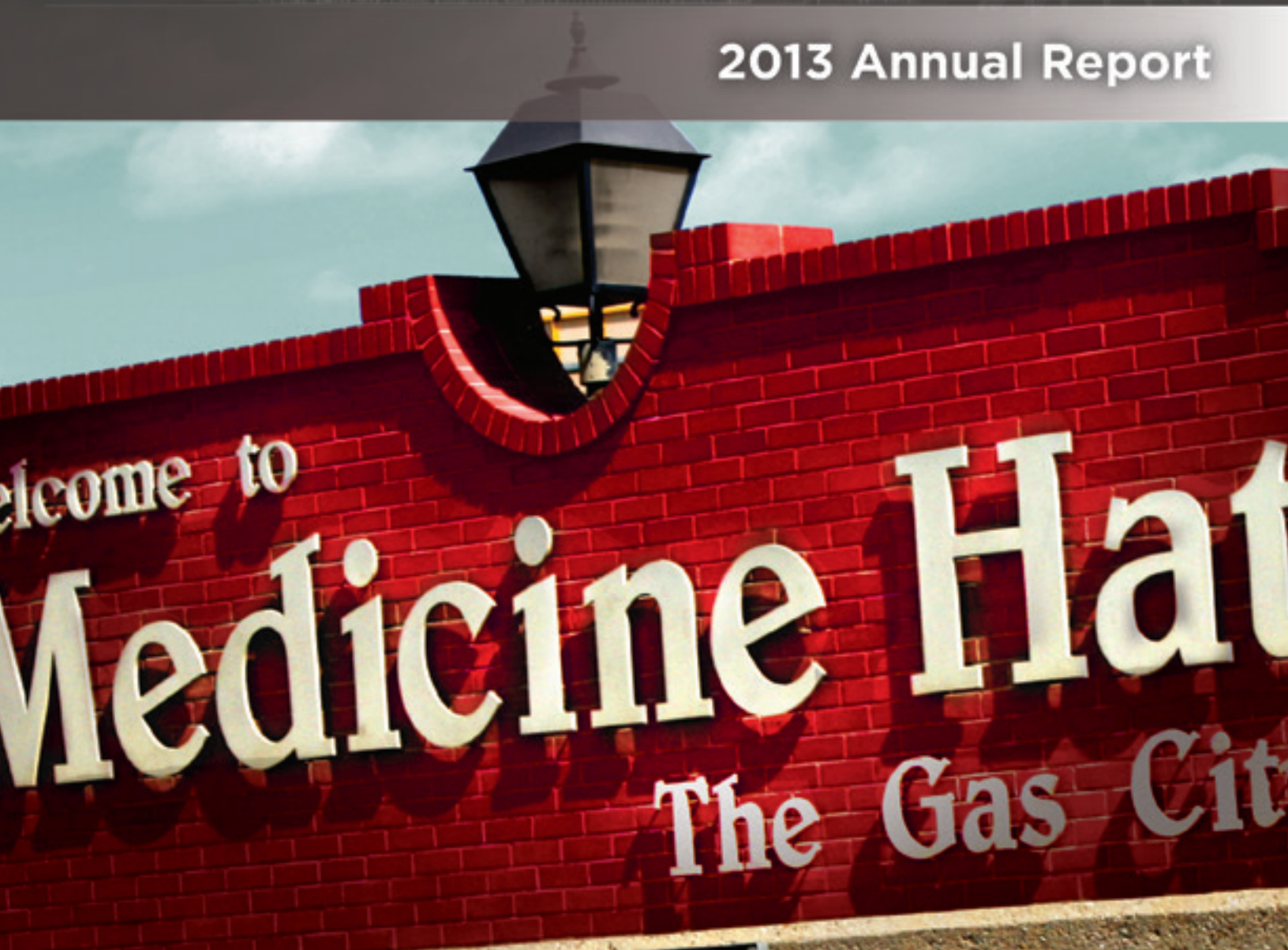


CITY OF
MEDICINEHAT
a community of choice

2013 Annual Report



our Mission

While balancing accessibility and affordability, to exceed expectations in the value of our services. The City of Medicine Hat is committed to a mission of striving to exceed the expectations of our residents, businesses and visitors.

our Vision

City Council's vision for Medicine Hat is a vibrant city with residents, businesses and visitors seeking to make Medicine Hat their "community of choice."

our values

We are committed to the following core values, which we believe enable us to achieve our vision:

- Innovation, creativity and diversity
- Openness, debate and participation
- Performance results
- Proactive measures
- Balanced and responsible development
- A long-term perspective
- Well-being of residents and employees
- Principle of self-determination for our community
- Continuous learning and staff development



Finlay Bridge over South Saskatchewan River

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Corporate Governance



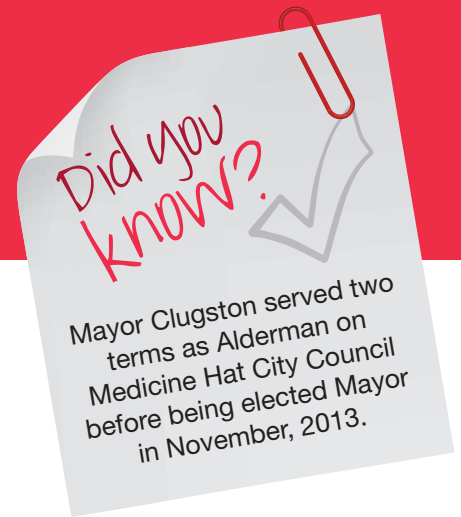
City Council

As of October 2013





Ted Clugston, Mayor



Mayor's Report

On behalf of Medicine Hat City Council, we dedicate this Annual Report to the residents and City of Medicine Hat staff. 2013 was a challenging year for our community. Flooding was an issue once again, but being the resilient community that we are, we pulled together as a team and came out stronger and more determined.

In spite of the challenges, we still had much to celebrate with some exciting projects in 2013 including:

- A new affordable housing unit in Southlands opened and another 16-unit mirror development will be built in 2014
- The Medicine Hat Regional Event Centre broke ground in Box Springs Industrial Park
- A state of the art synthetic sports field was installed at the Methanex Bowl at the Family

Leisure Centre

- Kiwanis Central Park playground was redeveloped
- The infrastructure (above and below ground) was renewed and enhanced in the downtown 600 block of Second Street SE.
- The twinning and final phase of development of Parkview Drive in the city's northeast.

In 2014, we will be setting our first Strategic Objectives as a City Council and our top priorities remain:

- Flood Mitigation
- Creating an Economic Development Plan
- Developing 603 First Street SE
- Air services opportunities
- Renewable energy options
- Swimming pool on the city's south side

- Working with community partners on physician recruitment and retention.

We are all looking forward to a banner year in our community and our organization. Rest assured our new City Council and our new Chief Administrative Officer are passionate about continuing to make Medicine Hat a "community of choice."

Ted Clugston

Mayor



Clockwise from top left: Gerry Labas (Energy Services COO), Angela Cruickshank (City Clerk), Bob Schmitt (City Solicitor), Brian Mastel (Commissioner of Corporate Services), Stan Schwartzenberger (Commissioner of Development & Infrastructure), Merete Heggelund (Municipal Services CAO), Ted Clugston (Mayor), Karen Charlton (Commissioner of Public Services), April 2014

Administrative Committee

Weekly Administrative Committee meetings provide the Mayor and senior executives a forum to discuss strategy, consider administrative matters, review items requiring Council approval and seek consensus on issues impacting the Corporation.



Standing Committees

Audit

Councillor Bill Cocks
Councillor Jamie McIntosh
Councillor Brian Varga

Development & Infrastructure

Councillor Robert Dumanowski
Councillor Julie Friesen
Councillor Les Pearson

Heritage Resources

Councillor Les Pearson

Corporate Services

Councillor Robert Dumanowski
Councillor Jim Turner
Councillor Brian Varga

Energy

Mayor Ted Clugston
Councillor Bill Cocks
Councillor Julie Friesen
Councillor Jamie McIntosh

Public Services

Councillor Julie Friesen
Councillor Les Pearson
Councillor Celina Symmonds

Commissions & Boards

Advisory Boards

Advisory Committee on Disability Issues
Arts & Heritage Advisory Board
Medicine Hat Public Library Board
Senior Citizens Advisory Committee
Social Development Advisory Board
Senior Citizens Advisory Committee
Transit Advisory Committee
Urban Environment and Recreation Advisory Board
Youth Advisory Board

Assessment Review & Appeal Boards

Composite Assessment Review Board
Local Assessment Review Board
Subdivision and Development Appeal Board

Commissions

Combative Sports Commission
Municipal Planning Commission
Police Commission

Council Representation on other Organizations

Civic Functions - Councillor Les Pearson
Canadian Badlands Ltd. - Mayor Ted Clugston and Councillor Brian Varga
Chamber of Commerce - Councillor Jim Turner
City Centre Development Agency (CCDA) - Councillor Jamie McIntosh
Cypress View Foundation - Councillor Jim Turner and Councillor Julie Friesen
Economic Development Alliance of Southeast Alberta - Councillor Jim Turner
Friends of Medalta Society - Councillor Jamie McIntosh
Medicine Hat Community Housing Society - Councillor Celina Symmonds
Medicine Hat Exhibition & Stampede - Mayor Ted Clugston
Palliser Economic Partnership - Councillor Jim Turner
Shortgrass Library System - Councillor Celina Symmonds
Tourism Medicine Hat Committee - Councillor Les Pearson





Merete Heggelund, Chief Administrative Officer

CAO's Report

The City, both as an organization and as a community, faced and overcame significant challenges in the past year. As a result we have grown, developed, seized new opportunities and worked for better solutions.

Looking back over 2013, it's easy to focus on all the highly visible capital projects, but in reality the vast majority of work done by municipal employees remains in the daily operations of the organization serving the needs of our residents.

The Esplanade Arts & Heritage Centre's theatre sold 37,598 tickets to events, Transit serviced more than 1.5 million regular and 58,000 Special Transit riders, Planning Services issued over 3,600 business licenses, Fire

Service responded to 1,350 emergency calls, Parks pruned 1,667 trees as a Dutch Elm Disease prevention strategy, 79,448 customers went through Customer Service & Collections, Environmental Utilities treated 13.8 billion litres of potable water and Police Services attended 30,573 calls for service.

There's a lot more to telling this story; look for the grey notes posted notes throughout this report for additional examples of the dedicated efforts by City of Medicine Hat employees.

We are grateful to our residents for their support and understanding as well as their valued feedback and comments over the past year, and to our employees for their dedication and service.

We also thank our City Council for challenging us to make this organization better and more efficient while serving the needs of the community.

Merete Heggelund

Chief Administrative Officer

COO's Report

The City of Medicine Hat's Energy Division continued to provide value to our residents in 2013.

We achieved strong operating results for 2013. Earnings before interest, taxes and amortization were \$127.76M versus a budget of \$79.47M with net earnings of \$1.67M. The Energy Division's total equity at year end was \$577.11M.

Combined, the Electric and Gas business units contributed a \$39.9M dividend to the City's municipal services, while Allied Oil and Gas, a wholly owned subsidiary of the City of Medicine Hat, contributed \$1.5M to the City's general government.

These dividend payments helped keep Medicine Hat property taxes

low, while providing funding for the City's many capital projects that improve our residents' quality of life.

Electric and gas rates (including all fees and charges) are lower than anywhere else in the province. A City of Medicine Hat utility customer saved an average of \$484.77 in 2013 over what they would have paid if they lived in another jurisdiction in Alberta.

The low-price natural gas marketplace continues to provide challenges for our Natural Gas and Petroleum Resources division, but forecasts reveal optimism for a slow but steady rise in the natural gas price over the next few years.

The Electric Utility had another strong year with sales to the

provincial power grid continuing to strengthen the business unit's financial position, amounting to \$25.62M more than what had been budgeted.

The City's electric and gas distribution business units continue to provide stability to the City's energy portfolio. Electric Distribution provided \$1.51M in net profit, while Gas Distribution produced \$1.55M. Both figures are before dividend and contributed amortization.



Gerry Labas

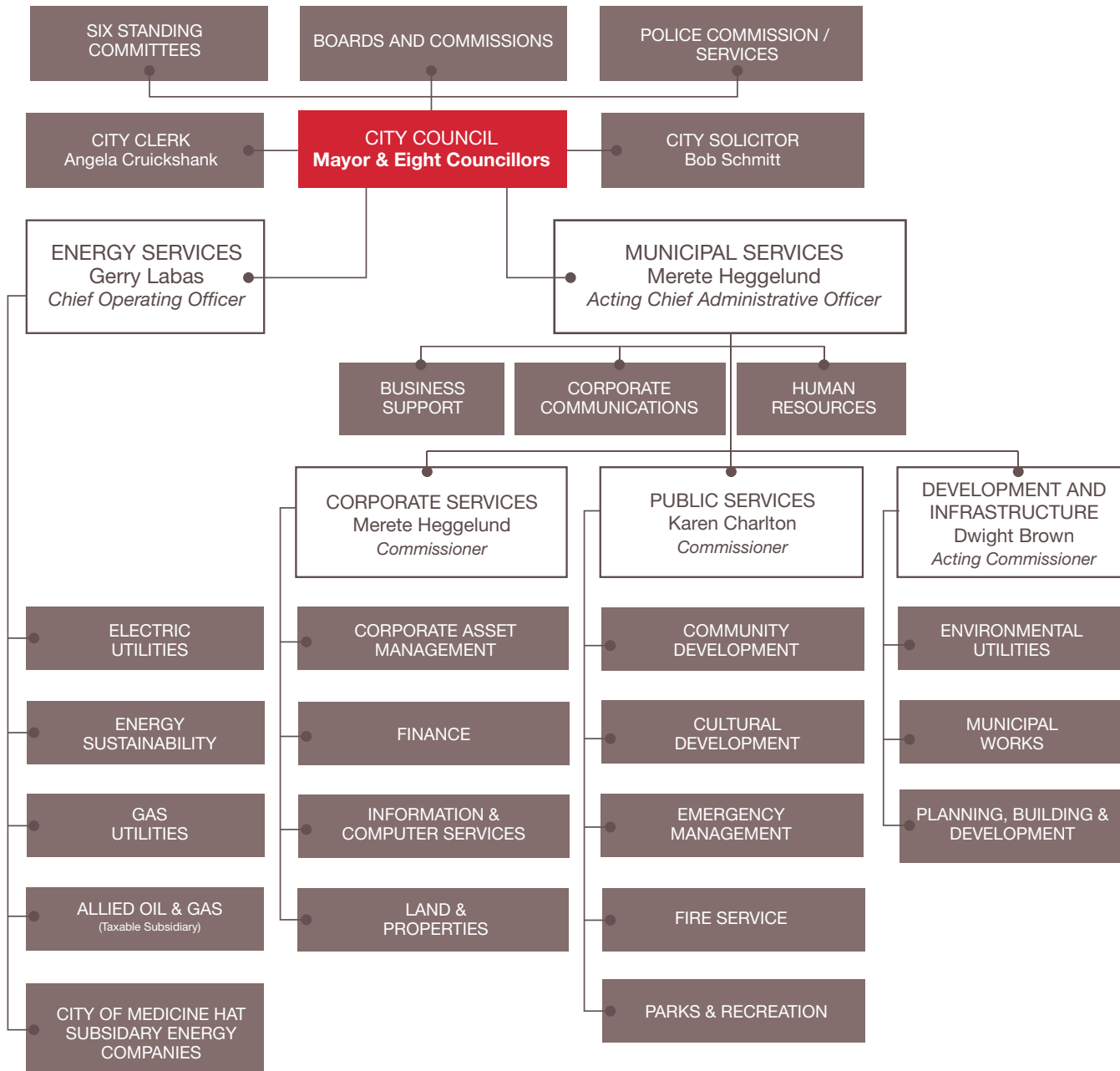
Chief Operating Officer



Gerry Labas, Chief Operating Officer

Organizational Structure

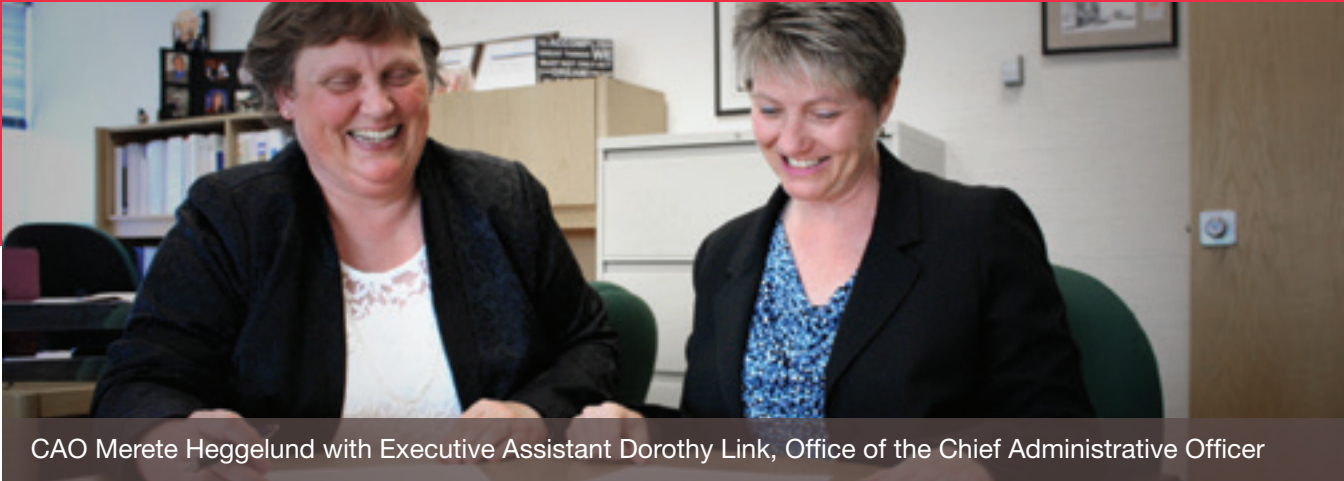
December 31, 2013





Services Provided





CAO Merete Heggelund with Executive Assistant Dorothy Link, Office of the Chief Administrative Officer

Municipal Services

Municipal Services and its three divisions, Corporate Services, Public Services and Development & Infrastructure, operate under the direction of the City's Chief Administrative Officer (CAO).

Chief Administrative Office

Responsible for strategic planning, directing, supervising and managing of all Municipal Services operations as approved by City Council.

The CAO chairs the Administrative Committee (comprised of the Chief Operating Officer, Commissioners, City Solicitor, City Clerk and the Mayor) which is responsible for decisions related to city-wide management and operational matters.

The divisional Commissioners, Business Support Office, Corporate Communications Department and Human Resources Department report directly to the CAO. The CAO reports directly to City Council.

City Clerk Office

Primarily administers the processes and information that is delivered to Council, Council committees, and municipal quasi-judicial boards and tribunals and ensures that the recommendations and decisions coming forward are properly assessed and documented.

The Office of the City Clerk maintains essential records and documents and is responsible for preparing, distributing and preserving agendas, minutes

and decisions of Council and its committees, boards and tribunals and ensuring the business of these bodies is conducted in accordance with all applicable statutes, regulations, bylaws, and principles of natural justice. Additionally, the Office of the City Clerk issues special event approvals, staffs the City's general information telephone line, provides administrative support to members of Council, boards and tribunals and conducts the municipal census and elections.

Individually, the City Clerk serves as Returning Officer for the municipal elections and is the City's Chief Protocol Officer. Along with being the Freedom of Information and Protection of Privacy (FOIPP) Officer, she ensures compliance under the



FOI/PPA Act and performs as Corporate Secretary to the City's corporate affiliate Allied Oil and Gas.

City Solicitor Office

Provides all legal services required by the City of Medicine Hat and reports directly to the Mayor and City Council. Areas of responsibility include provision of legal advice and services to City Council, Senior Executive and all City Departments, boards and committees. Solicitors also provide representation on behalf of the City at all levels of court and before administrative tribunals.

The Office of the City Solicitor imparts legislative drafting, interpretation and enforcement in specialized areas of law including real estate planning and

development, oil and gas utility regulation and environmental compliance, procurement and construction, labour relations and employment, as well as general municipal practice and governance.

Corporate Services

Provides leadership in all financial aspects of the corporation and manages the collection, appropriation and accountability of the revenue and expenditures as directed by City Council.

Corporate Asset Management

Provides leadership and direction in the management of the Corporation's assets. These assets are overseen by Building Services and Fleet Services.

Finance

Consists of the following lines of service: Assessment; Customer Service and Collection; Municipal and Energy Accounting; Systems, Billing and Meter Reading; Purchasing Services & Stores; and Treasury & Risk Management.

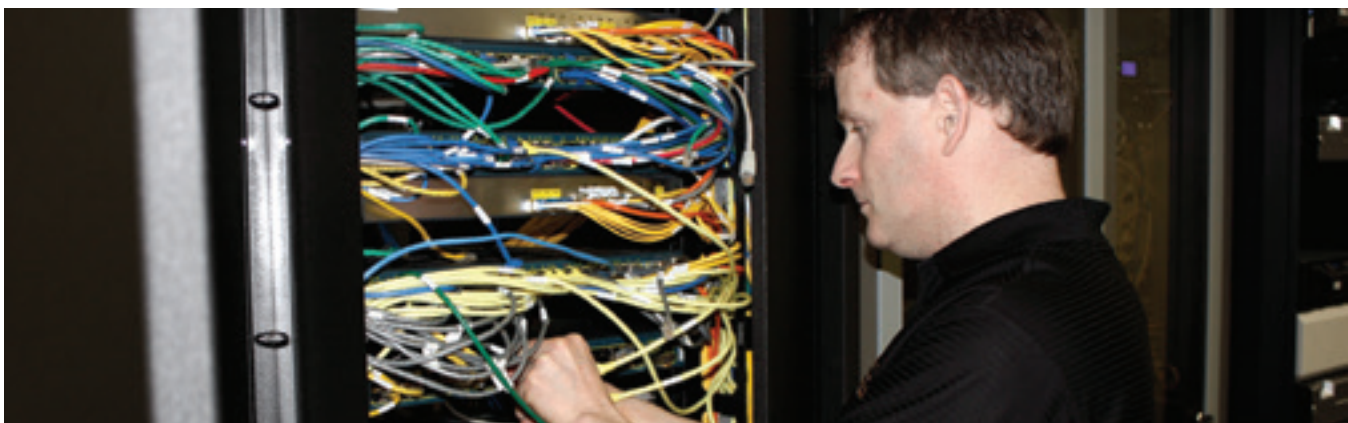
Information & Computer Services

Focused on promoting, enabling and leading appropriate technology solutions that are aligned with Council goals and objectives to improve and enhance City services. ICS is comprised of six key service areas which include: Application Services, Geographic Information Systems (GIS); Information Centre; Systems Development; Systems Operations; and Technical Services.

Land & Properties

Responsible for identifying, planning, designing, building and marketing sustainable communities in addition to managing the land base to optimize benefits to the environment, people and profits.

Land & Properties also provides internal real estate consulting services and strategically sells properties to meet City Council's environmental, social and economic objectives.



Glendon Potts, Systems Analyst, Information & Computers Services

Development & Infrastructure

Provides a safe, reliable and cost effective delivery of municipal planning, development and infrastructure.

Environmental Utilities

Provides safe, reliable and effective water, sewer, solid waste and recyclables services to the community through the operations of the Water Utility, Sewer Utility and Solid Waste Utility. The Department is structured into seven areas including: Treatment Plants, Field Operations, Solid Waste Operations, Engineering Support, Risk Control Support, and Customer Relations, Marketing and Administration.

Municipal Works

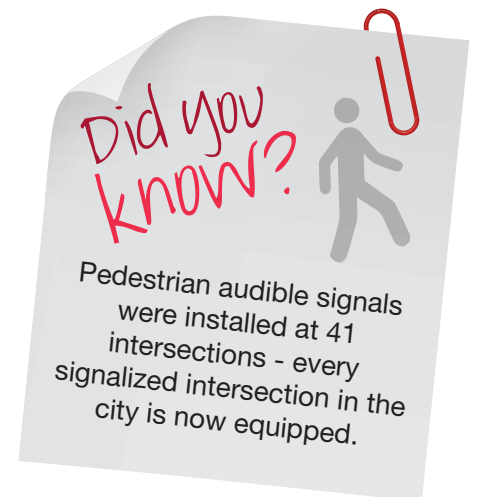
Core functions are to plan, develop, and maintain the

City transportation network, including the Regional Airport and storm water infrastructure. This encompasses the planning, design, construction, operations and maintenance, and lifecycle management of the infrastructure. The infrastructure includes all roads, sidewalks, bridges, street lights, traffic signs and signals, storm water pipes and ponds, and all of the airport lands.

Planning, Building & Development Services

Responsible for providing leadership in the planning and development area to ensure Medicine Hat is a safe, attractive and sustainable community. The Department has three technical functions including: Planning, Safety Codes, and Development and Engineering Services. All of

these areas are supported by an Administrative Support team.



Downtown Medicine Hat

Public Services

Provides capital development, maintenance and operation of parks and recreation facilities, transit operations and the delivery of social and senior programs.

Community Development

Builds partnerships; supports community based organizations; facilitates community problem solving; promotes connections with families, seniors and youth; as well as offering a variety of direct services that enhance recreational experiences for residents and visitors. The primary program areas of the Community Development Department include: 911 Communications; Senior Services; Social Development; and Transit Services.

Cultural Development

Provides cultural programs and services to residents and visitors to enrich cultural life in the community, fulfilling its goal of connecting everyone with arts and heritage. This is accomplished through its primary program areas including the Esplanade Arts and Heritage Centre, the Cultural Centre and the Saamis Tepee.

Fire Service

Delivers fire, rescue, and emergency management services within a structure that focuses on community prevention and education programs while maintaining a continuous posture of immediate response capability to incidents that threaten the security of people, property, and the environment. Fire Services are first responders to fires, disasters, surface and dive rescue, technical rescue and dangerous goods incidents.

Emergency Management

Plans and prepares for disaster, disaster response, and supports rebuilding community after natural or human-made disasters have occurred.

Parks & Recreation

The Department provides both indoor and outdoor leisure and recreation opportunities by developing and maintaining a diverse urban landscape to the highest possible standards using the most effective and efficient means possible, with a focus on sound environmental practices, and encourages all residents to be physically active through

indoor and outdoor services and programs that are accessible and affordable.

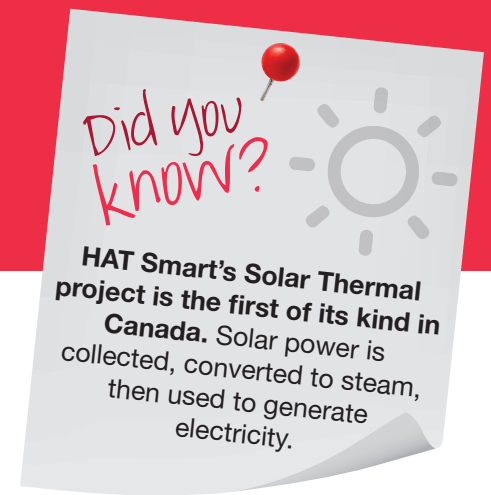
Police Services

Operates under the direction of the Chief of Police with guidance and support from the Police Commission. The Service is divided into three divisions, Administrative, Support, and Operations, each under the direction of its own Inspector for that division.





HAT Smart's Solar Thermal Project



Energy Services

The City of Medicine Hat has been in the energy business since 1902 and strives to maximize value to City of Medicine Hat residents. The Energy Division operates under the direction of the Chief Operating Officer (COO).

Energy Services provides the following value to residents and utility customers:

Lower property taxes

Annually, the Energy Division provides a dividend to subsidize residents' property taxes.

Lower utility statements

Every month, City of Medicine Hat utility customers have the lowest all-in utility statements when compared with customers throughout the rest of Alberta.

Funding for City projects

A portion of the Energy Division's dividend is earmarked annually for capital projects such as hockey rinks, swimming pools or other projects that enhance the community.

Reliable service

The City of Medicine Hat's Electric Utility customers face among the shortest times without electric service across Canada, annually.

Natural Gas & Petroleum Resources

Produces and manages natural gas and oil reserves in southeastern Alberta and southwestern Saskatchewan.

Electric Generation

The City's power plant generates electricity for the City's electric utility customers.

Gas Distribution

Ensures the safe, reliable, cost-effective delivery of natural gas to residences and businesses in the service area consisting of Medicine Hat and surrounding communities.

Electric Distribution

Ensures the safe, reliable, cost-effective delivery of electricity to residences and businesses in the service area consisting of Medicine Hat and surrounding communities.

Energy Sustainability

Focuses on energy conservation and renewable energy initiatives to help residents and businesses prepare for a world where fossil fuels are limited.



City Priorities





Medicine Hat Regional Airport

Air Service

We strive to provide high quality and frequent air services to Medicine Hat.

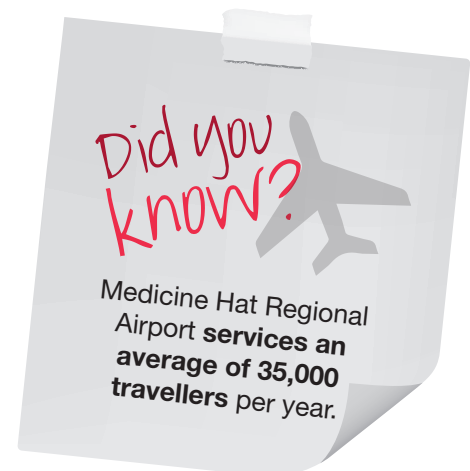
Land & Properties

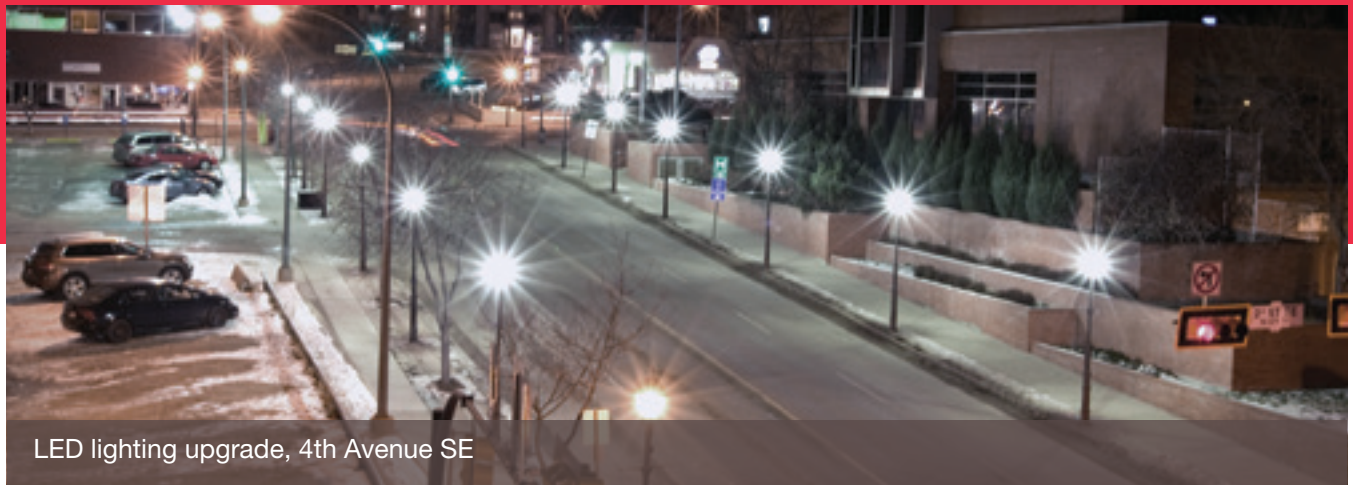
Participated in planning and engineering work for land development at the Municipal Airport. Phase 1 will include primarily commercial lots while facilitating future access to airside commercial opportunities. Site preparation and servicing has begun in Phase 2 to accommodate the new Compressed Natural Gas Station.

Municipal Works

The Air Service Development Strategic Plan was developed to guide enhancement of existing air services, and ongoing efforts to attract new air service to meet community and business demand in Medicine Hat.

The Airport Terminal Building Expansion design and tendering was concluded with the successful award and commencement of construction. The project consists of a 520 square metre expansion and renovation of the existing terminal. This will provide improved facilities for passengers and favourably position the airport to entice airlines that are considering increasing existing services or expanding new services to the Medicine Hat market.





LED lighting upgrade, 4th Avenue SE

Downtown

Downtown is a vibrant place where community and visitors gather, commerce and the arts thrive, and heritage is celebrated.

Cultural Development

Art Walk during Alberta Culture Days drew more than 300 visitors to the Esplanade and participating downtown arts venues

Electric Distribution

Established a design for the downtown 600V underground network rehabilitation to ensure future system reliability.

Environmental Utilities

Initiated \$2.7M in major water and sewer infrastructure upgrades.

Environmental Utilities and Municipal Works

The Second Street SE project

included replacement of the watermain and storm sewer, enhanced streetscape (trees, street furniture) and safety upgrades.

Gas Distribution

Replaced approximately 480 m of 1940's and 1950's vintage steel gas main along First St SE in the area of Veteran's Riverside Park. This completes the replacement of a large diameter feeder main from Porters Hill Station to Division Avenue South.

Municipal Works

First Street SE was upgraded with a transportation mural on the north face of the underpass (completed by local youth and Street Art Works), lighting, and hand rail refurbishing. This improves pedestrian safety, deters graffiti, and encourages youth to get involved.

The existing gas lanterns were replaced on Second Street and South Railway Street with significantly brighter and more energy efficient LED lanterns. The heritage appearance has been preserved with the same exterior design.

Planning, Building & Development Services

Provided support and advice to the Heritage Resources Committee regarding preserving and managing City historic resources.

Worked with Business Support and City Centre Development Agency to implement the Downtown Development Incentive Program.



HAT Smart information session

Leader in Environmental Practices

The City of Medicine Hat is a leader in sound environmental practices and promotes a greener industry.

Community Development (Transit Services)

Continued standardization of the Transit fleet improved the preventative maintenance program for transit vehicles. Utilized a no-idling policy for transit vehicles resulting in a 10 per cent reduction in maintenance costs and an eight per cent savings in fuel consumption.

Corporate Asset Management and Land & Properties

(for natural gas vehicle station)

Environmental (ISO 14001)
Management objectives met in accordance with the corporate implementation plan.

Compressed natural gas (CNG) initiatives include development of a filling station, as well as procurement of the first CNG vehicles including six buses and six solid waste trucks that will be delivered in 2014.

Electric Distribution and Generation

Adopting an ISO14001 environmental management system identifies and controls environmental impact and constantly improves environmental performances.

Energy efficiency upgrades were made on heating, ventilation, air conditioning, lighting, building management systems and plumbing fixtures in a number of City facilities.

Electric Distribution and Municipal Works

The LED streetlight conversion

project saw 2,100 streetlights converted to LED in the Crescent Heights area. LED lighting is designed to have low current, heat and voltage which results in a longer lifespan, lower maintenance costs and energy savings.

Energy Sustainability

HAT Smart program rebated \$735,100 to 3,495 residential and commercial customers. The environmental benefits associated with these rebates reduced greenhouse gas emissions equivalent to removing 109 passenger cars from roadways for one year.

Environmental Utilities

Provided educational and awareness information on re-use, recycling and water conservation to schools, community groups and residents.



Initiated construction of a dechlorination facility at the Water Treatment Plant to reduce the environmental impact of process water discharged in the South Saskatchewan River. Scheduled completion is the spring of 2014.

Finance

E-Utility application implemented allowing utility customers 24 hour access to their accounts to obtain balances, consumption information, initiation of service requests, and electronic billing.

Land & Properties

The City's first LEED® registered project, Phase 2 of the Southlands Affordable Housing Project, is underway.

Entered into a multi-faceted partnership between Calfrac,

Grasslands Naturalists and Medicine Hat College for the removal of over 33,000 invasive baby's breath plants by hand during a four week period.

Natural Gas & Petroleum Resources

No reportable environmental releases during 2013. Completed 147 down-hole well abandonments and 141 "cut and cap" operations on unprofitable assets. Began the surface reclamation of 163 sites from 2012 and 2013, as well as receiving a total of eight reclamation certificates on previous work.

Parks & Recreation

Phases III and IV of the Environment Management System Plan were completed.

The Dutch Elm Disease prevention programs continued through active

beetle monitoring and focus on elm tree pruning.

Continued to use Calcium Magnesium Acetate as a de-icing agent at Parks & Recreation facilities.

Hosted the second annual dog "Poop Pickin' Party" and the annual community wide Litter Blitz with continued strong volunteer participation for both events.

Planning, Building & Development Services

Provided assistance on slope stability issues to ensure safe construction of public and private developments as well as protection to environmentally sensitive areas.

Fiscal Sustainability

Financial planning is based on revenue sources that are sustainable, dependable and provide growth in the municipality.

Community Development (Social Development)

Monitored and reviewed Family and Community Support Services' (FCSS) contracted agencies output and outcomes reports.

Reviewed and made recommendations to City Council for \$104,000 in Municipal Sustainability Initiative program grants that were then approved by the Minister of Municipal Affairs.

Energy Division

Consistently low natural gas commodity market prices affected

earnings for the Energy Division while strong activity in the electric commodity market saw the Electric Utility achieve \$53.8M (before contribution to general fund) in net earnings. This enabled the Energy Division to deliver a \$39.9M dividend to Municipal Services in support of property tax relief and funding for the City's capital programs.

Residential customers realized an approximate savings of \$485 in their energy bills, when compared to four other major urban centres in Alberta.

Finance

Treasury & Risk Management manages the City's cash reserves in accordance with the established Investment Policy. In 2013, the

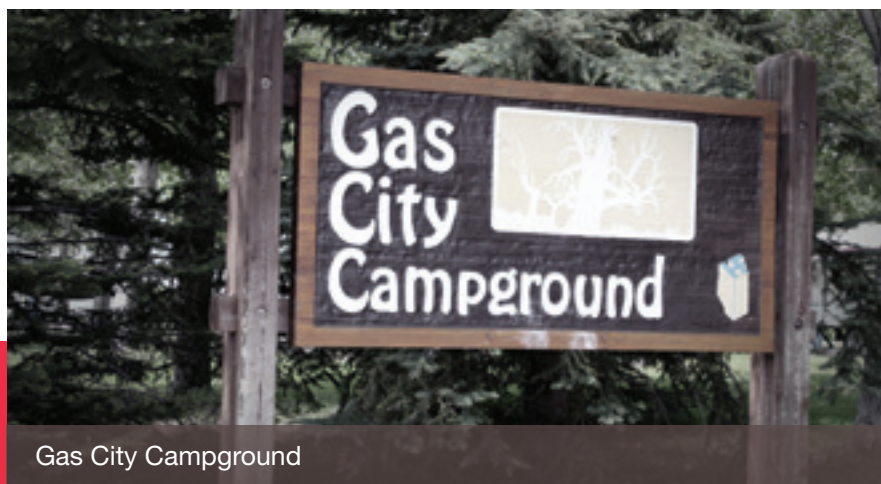
portfolio rate of return was 2.67 per cent.

Finance and Corporate Asset Management

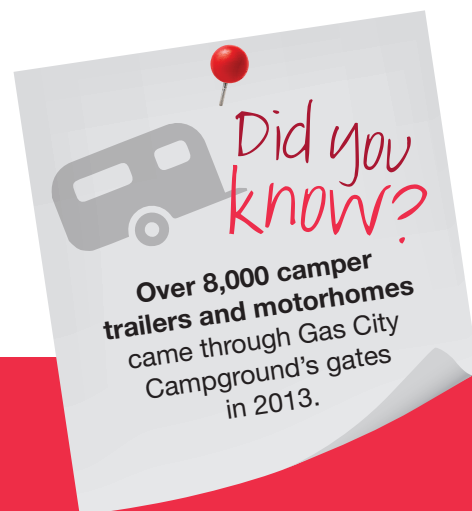
A comprehensive Value for Money audit and business review was completed to evaluate effectiveness and efficiency of resource utilization including shared services analysis (roles and processes), resources (staff, systems, use of contractors and processes), measurement (reporting) and leadership (professional affiliation).

Finance and Corporate Communications

The City received the Canadian Award for Financial Reporting, presented by the Government



Gas City Campground



Finance Officers Association of United States and Canada for its 2012 Annual Financial Report. Adopted International Financial Reporting Standards (IFRS) for the City's oil and gas production business units.

Fire Service

City Council approved recommendations in the Fire Response Coverage Optimization Report, including changes to existing processes and the implementation of traffic preemption technology. Relocation of two of three fire stations will delay the need for a fourth fire response station for eight to ten years.

Gas Distribution

Complete review of Cost of Service model resulted in changes to the allocation of costs between customer classes and a "resetting" of the rate model.

Land & Properties

Exceeded target Return on Investment of 15 per cent and maintained a two-year supply of residential lots.

Parks & Recreation

The Gas City Campground realized a strong positive cash flow consistent with previous years' financial performance. Hillside Cemetery continued to be managed as a cost neutral municipal service.

Environmental Utilities

Updated the 2014 Water Utility, Sewer Utility and Solid Waste Utility Operating Budget with rate adjustments that followed Council's established Revenue to Cost Ratio of One sustainable utilities principle. Medicine Hat rates remain competitive and among the lowest in Alberta.

Identified growth related infrastructure expansions over the next 25 years to support the Municipal Development Plan.

Environmental Utilities and Municipal Works

The Asset Management Plan will provide improved accountability and a greater understanding of the extent and effect of aging infrastructure and shortfalls in sustainable funding. A Request for Proposals has narrowed the search for an asset management

software package that will assist staff in the planning and coordination of a comprehensive infrastructure rehabilitation plan.

Planning, Building & Development Services

Continued the review and update of the City's Municipal Servicing Standards Manual (MSSM) to ensure that the standards relating to municipal infrastructure are current. The project was delayed due to the June flood as staff were dealing with the aftermath. It is anticipated that the MSSM will be completed in 2014.

The new Off-Site Levy Bylaw was adopted by City Council on September 4, 2013, and came into effect on January 1, 2014. Staff worked on the Administrative Procedures Manual throughout 2013 to facilitate developers' understanding of the Bylaw requirements. The Off-Site Levy Bylaw will substantially help fund future infrastructure requirements for both "greenfield" developments and redevelopment within established areas.

Infrastructure

Medicine Hat built and responsibly maintained infrastructure and set high standards for planned additions to its network.

Community Development (Social Development)

The affordable housing project in Southlands, consisting of 16 units, was completed and occupied; construction of a second 16 unit complex is underway.

Community Development (Transit Services)

The final phase of the accessible bus stop construction program was completed resulting in a total of 65 newly upgraded, fully accessible bus stops.

Corporate Asset Management

Infrastructure Rehabilitation:

- Roof replacements of the Kinplex lower roof, Moose Rec Centre and Power Plant
- City Hall elevator upgrades, boiler repairs, accessible washroom and plaza replacement
- Transit Parkade elevator upgrades
- Public Library accessible washroom
- Police Point Park exterior upgrades
- Kinplex storm water upgrades and ice plant replacements
- Moose Recreation Centre / Hockey Hounds air quality upgrades
- John Miller Daycare window replacements.

Environmental Utilities

Installed 6.8 kms of water mains and 4.7 kms of sewer mains.

Initiated three major lift station upgrades in flood prone areas and a berm at the water treatment plant to mitigate against future flood events and provide security of services to residents.

Corporate Asset Management

The 2012 Fleet Services Value for Money Audit resulted in a reduction of 100 vehicles from the corporate fleet.

Facility planning and design work:

- Seniors Centre – new facility and relocation of existing services to the Strathcona Centre



South Ridge Drive SE



- Transit garage expansion and compressed natural gas (CNG) storage and maintenance
- CNG filling station.

Electric Distribution

Working to build the infrastructure required to support the 138kV inter-tie Alberta Transmission Reinforcement project.

Energy Division

Full implementation of Automated Metering Infrastructure (AMI) for gas, electric and water meters rolled out in July. At the end of 2013, 17,200 automated meters, representing 20 per cent of the total 81,000 utility meters, had been installed. A system wide deployment by the end of 2015 will ensure that Utilities maintain cost effectiveness and enable customer energy management.

Gas Distribution

Replaced seven blocks of residential low pressure gas mains within the Southeast Hill area. This included replacing 1.9 km of gas main, as well as upgrading or replacing 141 residential/commercial services. Also within the year, two low pressure stations were upgraded, one medium pressure station was modified and three

mainline high pressure values were replaced.

Parks & Recreation

The planning and design for Family Leisure Centre expansion project began.

Another phase of Hillside Cemetery capacity development in General and Catholic sections was completed and select carriageways were re-purposed to functional interment space.

The Dutch Elm Disease prevention programs were continued through monitoring and focusing on elm tree pruning.

The leisure trail system and irrigation systems rehabilitation and upgrades continued.

The implementation of the Playground Management Plan continued with the completion of Osborne, Markwick Drive SE and Lamb Court parks.

Municipal Works

\$12M (3.7 km of new four-lane arterial roadway) for the Parkview Drive NE extension project was completed, supporting development

in the Ranchlands and Box Springs growth areas.

The \$11M South Ridge Drive SE project completed the second phase of construction, between Sierra Boulevard SE and South Boundary Road. \$3.4M in transportation infrastructure rehabilitation was initiated. Work consisted of roadway reconstruction and overlay programs throughout the city including 13th Avenue SE, Trans Canada Way SE, Smelter Avenue SE and Spruce Way SE.

Replacement of catch basins and catch basin leads within six intersections in and around Seventh Street SW will result in fewer road closures, lower maintenance costs, increased level of service and improved driver and pedestrian safety.

Completed the bridge asset management/inspection program and identified repair and rehabilitation requirements. Dunmore Road Bridge was rehabilitated to address concrete and bridge deck deficiencies. Maple Avenue Bridge was structurally assessed and a rehabilitation plan for the bridge was developed.

Quality of Life

Known for an affordable and family-oriented quality of life, Medicine Hat is supported by cultural and recreational facilities and urban amenities.

Community Development (Senior Services)

This Department offers free referral information and support services to seniors in need in the community. This includes free information and education sessions for aging adults; 21 sessions were provided in 2013.

Community Development (Social Development)

The “Moving from Charity to Investment: Reducing the Cost of Poverty in Medicine Hat” report, funded by a number of community partners, was produced to support the community roundtable on poverty reduction.

The Youth Advisory Board and Urban Environment Recreation Advisory Board recommended, and City Council passed, the Smoke Free Outdoor Public Places Bylaw to prohibit smoking in outdoor public places.

Community Workers assisted with a number of community events including the Jampail Bonspiel, Leaders of Tomorrow Awards program and Jane’s Walk.

Meals on Wheels provided 19,216 affordable and nutritious hot meal to people in the community who are not able to make their own meals.

A total of 33 different Senior Services clubs and activity groups, ranging from physical fitness groups, to arts and games groups are active.

Community Development (Transit Services)

Beach Bound shuttle to Echo Dale Regional Park in partnership with the Medicine Hat Rotary Club had 1,215 boardings.

Saw an increase of seven per cent for Regular Transit and 10 per cent for Special Transit. Approximately 1,380,000 trips on Regular Transit and 56,251 trips on Special Transit in 2013 were recorded. This is an average of 22 Regular Transit rides per capita.

Cultural Development (Esplanade)

At the Esplanade, there was volunteerism of over 10,000 hours, more than 15 exhibitions, 49 touring shows in its 2013 presentation series, 53 local shows which



included theatre, music and dance performances.

Provincial dance competitions were also hosted at the Esplanade and attracted over 1,500 competitors.

Annual attendance increased in 2013 by over 18,000 visits to more than 94,000 for all programs at the Esplanade (Art Gallery, Museum, Archives and Theatre).

Electric Distribution

Delivered an effective source of power; providing customers with safe, reliable electricity.

Electric Generation

Provided a safe, reliable source of electricity at market competitive prices, enabling customers to rely on a high level of power availability.

Emergency Management

Responded collaboratively and effectively to protect residents and to minimize the impact of a 6.2 metre rise in the South Saskatchewan River on critical infrastructure, property and the environment.

During the 2013 Flood, evacuated approximately 10,000 residents and offered support from Emergency Social Services volunteers and staff at the Emergency Evacuation Centre.

Home and business re-entry phase required support of multiple agencies over a minimum of six months. The recovery and strategic mitigation phases are ongoing.

Information & Computer Services

Posted Flood Fringe and other informative maps onto the iMap website for use by residents.

Online e-Services provide utility customers with improved online access to their utility billing information and enhancements to the e-Reg registration program system.

Land & Properties

Phase 1 of the Southlands Affordable Housing Project completed.

Municipal Works

The pedestrian network upgrades completed in 2013 are a reflection of the consideration given to safety and accessibility in our Community.

Parks & Recreation

The redevelopment of Kiwanis Central Park water playground and the high board rink project in Southlands were completed.

System winter maintenance was completed on more than 50 per cent of the leisure trail system.

Synthetic turf was installed at the Methanex Bowl and the skateboard park expansion project was completed.

Planning, Building & Development Services

Engaged the school districts in a working committee to improve the planning process for new school sites.

Provided municipal resource information to the Heritage Resources Committee for various heritage projects and implementation of designated historic sites.

Economic Development

The City's economic development strategy leads regional partners toward responsible economic growth.

Electric Generation

The Concentrating Solar Thermal Project, located east of the Gas City campground began construction in the summer of 2013. Parabolic mirror troughs covering 5 acres of land were set up and miles of pipe were laid between the Power Plant and the solar collector field. The project is the first of its scale in Canada and is an opportunity for economic development as a community attraction.

Emergency Management

Collaboration between Medicine Hat, Redcliff and Cypress County will result in a comprehensive Regional Emergency Management Plan designed to minimize the impact

of a disaster on the respective communities and to protect residents' lives and property as well as infrastructure and environment during a disaster.

Environmental Utilities

Initiated upgrades on \$14M worth of major water and sewer infrastructure to ensure robust and high quality services for our economic partners.

Gas Distribution

Installed approximately 1.1 km of new gas mains to extend gas service to areas of the Box Springs Business Park, Meadowlands Phase 1B, Southlands 6C and the future Compressed Natural Gas filling station for City vehicles at the airport.

Land & Properties

90 low-density residential lots were sold. Construction began on Southlands 6C which is the

last phase of this residential neighborhood. Completion is expected in Summer 2014.

Planning, Building & Development Services

The adoption of the new Land Use Bylaw #4168 by City Council has provided greater flexibility and clarity for the development approval process, while preserving the principle objectives of the Municipal Development Plan and River Flats Area Redevelopment Plan.

An updated permit review/approval process improved efficiencies and streamlined requirements and associated duties of staff. 90 per cent of customers rated service as "Excellent" while the remaining rated service as "Good."



Southeast Medicine Hat





Financial Report





Brian Mastel, Corporate Services

Treasurer's Report

I am pleased to submit the City of Medicine Hat Consolidated Financial Statements for the fiscal year ended December 31, 2013. The financial information appearing in the 2013 City of Medicine Hat Consolidated Financial Report is a more detailed and complete financial presentation prepared in conformance with Public Sector Accounting Standards (PSAS) and audited by the City's independent auditors, KPMG LLP. The data taken from various sources are not PSAS-basis data. Both the Consolidated Financial Report and the City's Annual Report are available for viewing at www.medicinehat.ca/publications, plans & reports.

The purpose of the Financial Report is to present clear insight into financial results for the City. This report is divided into:

- Introduction – Provides an overview of the Treasurer's Report

- Management Reporting and Control - The planning, budgeting, accounting, auditing and reporting process
- Financial Highlights - The analysis is supplementary information to the financial statements and therefore, should be read in conjunction with the consolidated financial statements, accompanying notes and supporting schedules.

The City provides multiple services to the residents and surrounding area:

- Protection
- Recreation and cultural activities
- Road, bridge, sidewalk and trail maintenance
- City Planning, Building & Development
- Water, sewer and solid waste management.

The City also operates enterprise business units:

- Land and property development,
- Natural gas exploration, production and distribution services
- Electric generation and distribution.

Brian Mastel, April 21, 2014

Commissioner, Corporate Services



Management Reporting and Control



Strategic Planning and Budgeting

City Council develops a Strategic Plan highlighting priorities, strategies and goals for the planning period. Based on the direction set out by the Strategic Plan, three-year Departmental Business Plans are prepared. These Business Plans communicate each Department's alignment with the Strategic Plan and identify:

- The core activities of the Department and the aim of each activity

- Departmental customers
- Opportunities, trends and challenges faced by the Department
- Goals and objectives to be achieved by the Department.

Budget guidelines and high level financial projections are developed. Based on these guidelines and Departmental Business Plans, Departments develop their budget requests. City Council has approved the adoption of a three year operating budget with a two year projection and a three year capital budget with a seven year projection.

The Administrative Committee reviews Departmental budgets and when satisfied that budgets are aligned with the Business Plans, the budget recommendation is presented for City Council's consideration and approval.

Medicine Hat's Operating Budget lays out the revenues and expenses for the planning periods that will be required to deliver City services.

A ten-year Capital Improvement Plan is developed for all Departments. The Capital Improvement Plans identifies proposed capital project expenditures and their sources of financing.

For the 2012 - 2014 budget period, the City employed a capital ranking process for the tax supported Departments. This process ensures that capital funding is allocated to the projects that will provide the highest value to the municipality.

Financial Highlights

Financial Trend Summary 2013

The financial data provides an overview of key financial information. Readers should view this report in conjunction with the accompanying Consolidated Financial Statements and Note Disclosures located on the City's website at www.medicinehat.ca/financialreports.

Medicine Hat has endured three floods in the last four years. As a consequence, City expenses have increased due to the recovery from these disasters. Fortunately much, but not all, of the recovery costs have been offset by Disaster Recovery Programs as well as insurance proceeds.

The City of Medicine Hat adopted International Financial Reporting Standards (IFRS) to account for

<i>In thousands of dollars</i>	2013	2012	2011
Consolidated financial position		<i>Restated</i>	<i>Restated</i>
Assets	\$ 632,274	\$ 561,697	\$ 561,149
Liabilities	508,656	466,719	459,288
Net financial assets	123,618	94,978	101,861
Non-financial assets	101,474	98,282	93,744
Net tangible capital assets	1,085,295	1,088,824	1,099,506
Total non-financial assets	1,186,769	1,187,106	1,193,250
Accumulated surplus	\$1,310,387	\$1,282,084	\$1,295,111

	Revenue	Expenses	Annual Surplus
2013 Operating Results			
General Fund	\$ 177,144	\$ 158,595	\$ 18,549
Utilities	351,470	382,413	(30,943)
Capital contributions and grants	37,667	-	37,667
Consolidation adjustments	(112,463)	(115,493)	3,030
Total	\$ 453,818	\$ 425,515	\$ 28,303

its oil and gas assets for the year ended December 31, 2013. The Public Sector Accounting Standards (PSAS) is silent on the treatment of resource properties. The City historically has been reporting

its oil and gas assets under the same guideline that existed under Part V of the Canadian Institute of Chartered Accountants (CICA) handbook. However, to better reflect the operations of the oil and

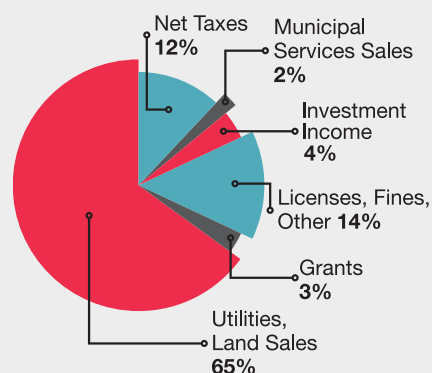


Optomist Park, Flood 2013

gas properties and to provide more financial transparency, the City has adopted this new accounting standard retrospectively and as a result the prior year's figures were restated.

Revenue

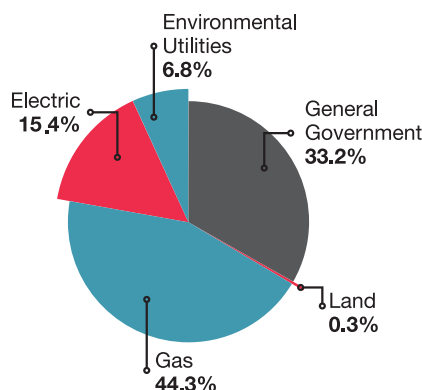
Revenue was \$416.2M versus budget of \$359.7M. This variance was largely due to higher than expected electric sales as a result of higher commodity prices representing \$25.2M. Other revenues were higher than budget by \$17.1M largely due to increased electric ancillary sales due to higher market prices and settlement of a claim on a power purchase agreement.



Expenses

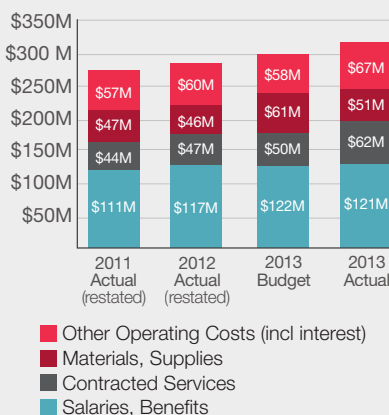
Overall the City operating expenses for the year were \$58M higher than budget due to an asset impairment being recognized. Less optimistic forecasts for natural gas prices and higher than expected well abandonment and reclamation costs have resulted in an impairment being recognized for some of the City's natural gas assets.

2013 expenses are higher than 2012 mainly due to wage contract settlements, costs related to recent flood events, as well as additional costs related to increased activity in the oil properties.



Expenses by Type

The Consolidated Expenses by Object Schedule details 2013 actual (\$425.5M) and budgeted (\$367.5M) expenses by type. The chart to the right excludes amortization, impairments, and disposal expenses. Variances from budget for contracted services and materials and supplies are related to costs from the recent flood events, and increased activity in the oil properties.



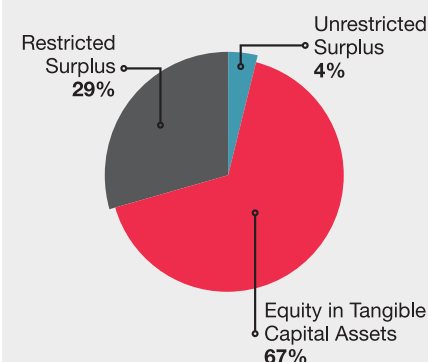
2013 Capital

Capital expenditures were \$122.2M plus contributions from developers of \$1.1M. While the City's approved 2013 budget for capital was \$116.8M, the current expenditures include \$85.7M for projects carried forward from previous budget years.

The 2013 capital expenditures were funded by grants received from the Province of Alberta and the Federal Government of Canada, as well as reserves, operating funds, debenture borrowing, third party contributions and internal loans.

Accumulated Surplus

The accumulated surplus on the consolidated Statement of Operations represents the total change in all fund and equity balances for the City of Medicine Hat. During 2013 the consolidated fund and equity balances increased by \$28.3M to \$1,310.4M.



\$50.3M of the accumulated surplus is unrestricted. This is used as working capital to fund day to day

operating activities of the City.

\$385.9M is restricted and is largely dedicated to capital activities of the organization.

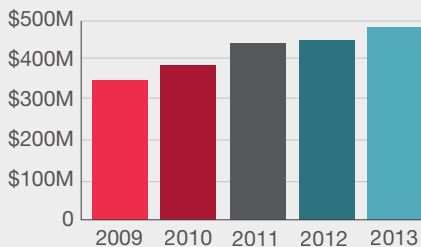
Equity in the City's tangible capital assets decreased by \$8.4M to \$874.2M this year as a result of an increase in City assets, offset by accumulated amortization and debt.

Investments

Investments, Loans and Advances increased \$35.9M from 2012 to \$482.5M due to increased cash flow largely as a result of the receipt of monies from the Federal Gas Tax Fund and the Disaster Recovery Programs.

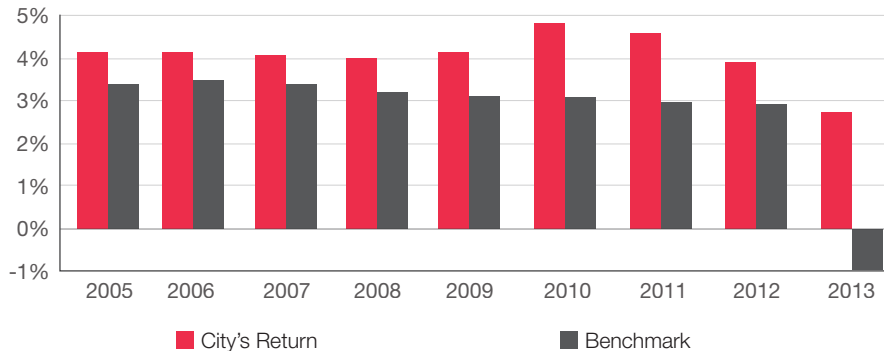
Investment Portfolio

(Market Value)



Rate of Return

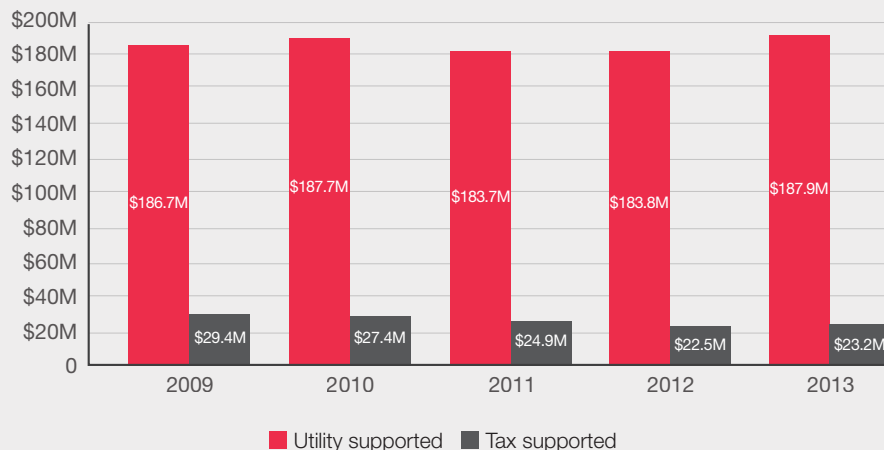
The City of Medicine Hat's investment return for the year ended December 31, 2013, averaged 2.67 per cent, out-performing the DEX (formerly ScotiaMcLeod) Universe Bond benchmark index of -0.95 per cent. The City's average portfolio return has outperformed the stated benchmark the last nine years.



Long-Term Debt

During 2013, total Long Term Debt increased \$4.9M to \$211.1M as a result of new borrowings exceeding repayments. Total debt principal repayments were \$20.0M and new debt was \$24.9M. \$14.1M was for improvements to Environmental Utility assets, \$4.5M was related to Electric's assets, \$3.3M was for the Gas Utility, and \$3.0M was for municipal infrastructure.

The Minister of Municipal Affairs has prescribed total debt and debt servicing limits for municipalities in the province. The debt limit is defined as two times revenue net of capital government transfers. Debt servicing limit is not to exceed 35 per cent of revenue. For purposes of these calculations included in the actual debt (long and short term) are loan guarantees in the amount of \$2.7M.



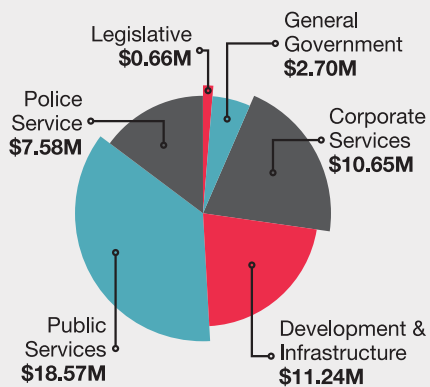
City's Debt Levels

<i>In millions of dollars</i>	2013
Total debt limit	\$ 865.1
Actual debt (long and short term)	213.8
Amount under limit	651.3 75%

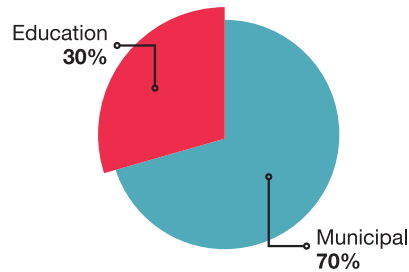
Debt servicing limit	\$ 151.4
Actual debt servicing	30.3
Amount under limit	\$ 121.1 80%

Use of Municipal Tax Revenue

Property taxes contributed \$51.2M (36.2%) of the consolidated General Fund operating expenses of \$141.3M. Other revenue sources mainly include investment interest, sales, government grants, fees and permits.



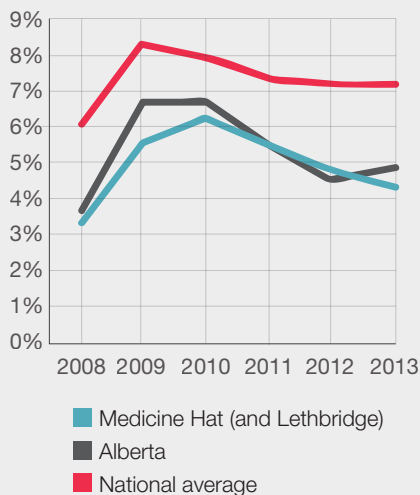
Where Property Tax Dollars Went in 2013



Economic Indicators

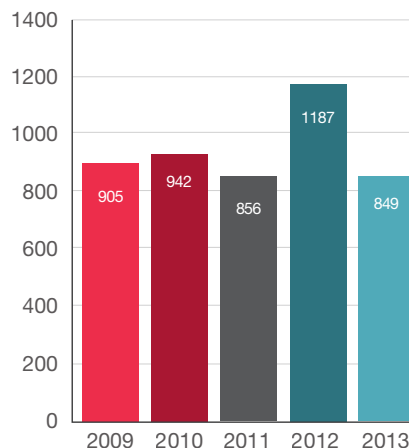
Unemployment Rate

The unemployment rate in Medicine Hat at the end of 2013 was 2.9%, while the 2013 average was 4.3%. The average Alberta unemployment for 2013 was 4.8% compared to 7.2% for Canada.



Number of Development Permits Issued

2013 saw a decrease in the number of development permits issued. The primary reason for this drop was the adoption of the new 2013 Land Use Bylaw (LUB). Under the new LUB, permits are not required for many minor developments or they can be included in a larger permit. As a result, the new LUB and its simplified permitting system resulted in fewer permits issued.



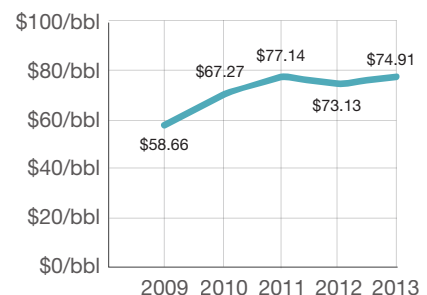
Gas

The increase in the natural gas price in 2013 was due to an extended winter in the Eastern United States and Canada along with early unexpected cold weather and greater than anticipated storage withdrawals. 2013 gas production for the City of Medicine Hat was 20,064,425 MCF (million cubic feet).



Oil

Oil prices increased globally in 2013 due to geopolitical issues throughout the Middle East and further threatening production. This led to uncertainty in supply despite the increased production in North America. 2013 oil production for the City of Medicine Hat was 412,339 bbl (barrels).



Consolidated Statements

Consolidated Statement of Financial Position *(unaudited)*

As at December 31, 2013

<i>In thousands of dollars</i>	2013	2012 (restated)	2011 (restated)
Assets	\$ 632,274	\$ 561,697	\$ 561,149
Liabilities	508,656	466,719	459,288
Net financial assets	123,618	94,978	101,861
Non-financial assets	101,474	98,282	93,744
Net tangible capital assets	1,085,295	1,088,824	1,099,506
Accumulated surplus	\$ 1,310,387	\$ 1,282,084	\$ 1,295,111

Consolidated Statement of Operations *(unaudited)*

As at December 31, 2013

<i>In thousands of dollars</i>	2013 Budget	2013	2012 (restated)	2011 (restated)
Revenue	\$ 375,441	\$ 453,818	\$ 389,822	\$ 391,144
Expenses	367,496	425,515	402,849	334,867
Annual surplus	7,945	28,303	(13,027)	56,277
Surplus (beginning of year)	1,282,084	1,282,084	1,295,111	1,238,834
Surplus (end of year)	\$ 1,290,029	\$ 1,310,387	\$ 1,282,084	\$ 1,295,111

Consolidated Statement Change in Net Financial Assets *(unaudited)*

As at December 31, 2013

<i>In thousands of dollars</i>	2013	2013	2012	2011
	Budget		(restated)	(restated)
Annual surplus	\$ 7,945	\$ 28,303	\$ (13,027)	\$ 56,277
Increase in tangible capital assets	\$ (117,314)	\$ (124,415)	\$ (127,884)	\$ (108,084)
Amortization/disposal of tangible capital assets	76,564	126,865	134,052	77,107
	(32,805)	30,753	(6,859)	25,300
Acquisition/consumption of inventories and supplies	-	857	368	2,882
Acquisition of land held for future development	-	(2,703)	(376)	-
Acquisition/consumption of prepaid assets	-	(267)	(16)	(36)
	-	(2,113)	(24)	2,846
Increase (decrease) in net financial assets	(32,805)	28,640	(6,883)	28,146
Net financial assets, beginning of year	94,978	94,978	101,861	73,715
Net financial assets, end of year	\$ 62,173	\$ 123,618	\$ 94,978	\$ 101,861

Consolidated Statement of Cash Flows *(unaudited)*

As at December 31, 2013

<i>In thousands of dollars</i>	2013	2012 (restated)	2011 (restated)
Net inflow (outflow) of cash related to the following activities:			
Operating			
Annual Surplus	\$ 28,303	\$ (13,027)	\$ 56,277
Non-cash items included in annual surplus	120,325	130,465	72,980
Non-cash changes to operations (net change)	26,138	2,987	37,375
Cash provided by operating transactions	\$174,766	\$ 120,425	\$ 166,632
Cash applied to capital transactions	(122,847)	(127,491)	(106,955)
Cash applied to investing transactions	(43,709)	(3,133)	(52,297)
Cash provided by (applied to) financing transactions	4,875	(2,382)	(6,397)
Change in cash and equivalents during the year	13,085	(12,581)	983
Cash and cash equivalents, beginning of year	347	12,928	11,945
Cash and cash equivalents, end of year	\$13,432	\$ 347	\$ 12,928
Cash and cash equivalents consist of the following:			
Cash	\$ 65,050	\$43,612	\$63,060
Less: restricted portion of cash and temporary investments	(51,618)	(43,265)	(50,132)
Total	\$ 13,432	\$ 347	\$ 12,928



Flood 2013

Flood 2013

Emergency Operations Centre Timeline

South Saskatchewan River Levels

in cubic meters per second (m³/s)

400 m³/s

June 20

Alberta Environment confirms at minimum, the South Saskatchewan River will rise from its current flow of 400 **cubic meters per second (m³/s)** to 3800 cms or more within the next 48 hours

510 m³/s

June 21

State of Local Emergency for seven days in effect

Volunteer phone line established

Evacuation center and reception center at Medicine Hat College up and running

Door to door evacuation notification announced for 3,700+ homes (10,000 people) to begin 3 pm

Deputy Premier Thomas Lukaszuk arrives at EOC

Over 1,000 volunteers registered and deployed as required

950 m³/s

June 22

Police relocated services to Environmental Utilities building

Maple Avenue and Finlay Bridges close

Premier Redford arrives at EOC

Mobile Emergency Support Apparatus deployed

Power and water plants berms complete 5 pm

5,450 m³/s

June 23

Plan for dual services if TransCanada Bridge closes

Alberta Health Services clinic opens at the Family Leisure Centre

1,550 people evacuated and registered. 300 receive direct services. 250 lunches and 300 suppers served to evacuees and volunteers. Hotel stays extend

Military approved to assist – deployed to berm building

5,460 m³/s

June 24

Re-entry inspections begin

Maple Ave and Finlay Bridges reopen

Maple Ave tiger dams drained



Did you know?

At its highest (5,460 m³/s) during the flood, the river could have filled 2.2 Olympic-sized swimming pools every second.

3,600 m³/s

June 25

Re-entry inspections as water recedes starting with Harlow, Riverside and Kingsway areas

River Heights lift station operational

Harlow Lift station recovery in progress

Veiner Centre being drained via pumps

Harris Street berm overnight removal

2,190 m³/s

June 26

Berm removal complete in Flats

BFI bins placed for removal of debris begins

North Flats inspections begin

Balmoral Lift Station operational

Eight Electric distribution crews in the Flats

22 Gas crews at various locations

No tipping fees at landfill for those affected by flood

1,560 m³/s

June 27

Gas doing 500-600 relights per day

Outdoor water restrictions relaxed

Washington Way reopened

Mobile Emergency Support Apparatus at Police Station

Power plant berm removed

1,350 m³/s

June 28

Total re-entry inspections done – 2,961

Outdoor water restrictions lifted

Eight teams working on electric reconnects

City Hall berms removed

840 m³/s

July 2

River Road reopened

City streamlines permit process for flood rebuilding

South Saskatchewan River remains closed pending test results

July 3

Final EOC meeting



For additional copies of the 2013 Annual Report contact:

Chief Administrative Officer

City of Medicine Hat
580 First Street SE
Medicine Hat, Alberta, Canada T1A 8E6

P 403.529.8222
F 403.502.8041



Medicine Hat
The Gas City

Thank you to all the employees and residents who had their
photographs taken for this document.

The 2013 City of Medicine Hat Annual Report was
prepared and produced by the City of Medicine Hat
Corporate Communications and Finance Departments.



Made with **recycled** materials