

City of Medicine Hat • December 31, 2016

CITY OF MEDICINE HAT

2016 Annual Report



Medicine Hat
The Gas City

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Did you know?

In 2016, most residential development occurred south of the South Saskatchewan River while commercial development was more active north of the river.



CORPORATE GOVERNANCE

CITY COUNCIL

City Council consists of a Mayor and eight Councillors, elected for a term of four years.

The positions of Mayor and Councillor are elected at large, meaning that each person elected represents the City as a whole and not a particular ward or section of the City.



Ted Clugston
Mayor



W. (Bill) Cocks
Councillor



Robert Dumanowski
Councillor



Julie Friesen
Councillor



Jamie McIntosh
Councillor



Les Pearson
Councillor



Celina Symmonds
Councillor



Jim Turner
Councillor



Brian Varga
Councillor

Did you know?

The City of Medicine Hat has over 70 kilometres of fiber optic cable that provides communications for network, phones, automated meters and control systems.

MAYOR'S REPORT



Did you know?

Planning and Development Services issued approximately 4,000 business licenses in 2016.

2016 was a year of challenges and successes for the City organization and for our community. Continued low prices in the energy sector required hard decisions on all fronts to balance budgets, allocate resources and continue to build for the future.

Good reasons exist for optimism in 2017.

We are seeing home-grown and external investment in business. Industry is creating new construction and new jobs. Increased drilling is occurring in our region, some of which is spawned by the City's own growth strategy for our Natural Gas and Petroleum Resources department. Opportunity within the city as a hub for renewable energy, including wind and solar, is garnering interest locally and abroad. Much of this activity is a direct result of innovation and perseverance demonstrated by our community in tough times.

During the 2017 State of the City address I told our residents that truly, Medicine Hat wants for nothing. We have exceptional recreation and entertainment venues in our newly expanded

Family Leisure Centre, The Esplanade and Canalta Centre. Our crews work hard to maintain and renew infrastructure; we have a quality transportation network and reliable utilities. Our emergency services keep our community safe and provide timely response to service calls. This year we will expand and renovate the seniors centre and continue work on flood mitigation.

We've undertaken an extensive capital program in the past few years and our focus should now shift to rebuilding our reserves. In 2016, Council approved principles that would lead to the establishment of a Heritage Savings Fund and related bylaw. As we look to the future and safeguard the advantages we experience today, we can continue to make Medicine Hat a community of choice.

A handwritten signature in blue ink that reads "Ted Clugston". The signature is fluid and cursive.

Ted Clugston, Mayor

April 18, 2017

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.

* As of December 31, 2016



Ted Clugston
Mayor



Merete Heggelund
Chief Administrative
Officer



Brian Mastel
Commissioner of
Corporate Services



**Stan
Schwartzberger**
Commissioner of
Development &
Infrastructure



Karen Charlton
Commissioner of
Public Services



Grayson Mauch
Acting Commissioner
of Utilities



Bob Schmitt
City Solicitor



Angela Cruickshank
City Clerk

Did you know?

Over one million meter reads are processed for utility billing each year.

COMMITTEES, COMMISSIONS & BOARDS

STANDING COMMITTEES

Administrative &

Legislative Review

Coun. W. Cocks, Chair
Coun. L. Pearson, Vice Chair
Coun. R. Dumanowski

Audit

Coun. W. Cocks, Chair
Coun. J. McIntosh, Vice Chair
Coun. B. Varga

Corporate Services

Coun. R. Dumanowski, Chair
Coun. J. Turner, Vice Chair
Coun. B. Varga

Development & Infrastructure

Coun. R. Dumanowski, Chair
Coun. L. Pearson, Vice Chair
Coun. J. Friesen

Energy & Utilities

Coun. W. Cocks, Chair
Coun. J. Friesen, Vice Chair
Mayor T. Clugston
Coun. J. McIntosh

Heritage Resources

Coun. L. Pearson

Public Services

Coun. J. Friesen, Chair
Coun. L. Pearson, Vice Chair
Coun. C. Symmonds

COMMISSIONS & BOARDS

Advisory Boards

Advisory Committee on Disability Issues
Arts and Heritage Advisory Board
Medicine Hat Public Library Board
Senior Citizens Advisory Committee
Social Development Advisory Board
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

Council Representation

Canadian Badlands Ltd. (Mayor T. Clugston, Coun. B. Varga)
Chamber of Commerce (Coun. J. Turner)
City Centre Development Agency (Coun. W. Cocks)
Cypress View Foundation (Coun. J. Friesen, Coun. J. Turner)
Friends of Medalta Society (Coun. J. McIntosh)
Medicine Hat Community Housing Society (Coun. C. Symmonds)
Medicine Hat Exhibition & Stampede (Mayor T. Clugston)
Medicine Hat Public Library (Coun. J. McIntosh)
Municipal Names Committee (Coun. J. McIntosh)
Municipal Planning Commission (Coun. J. Turner, Coun. B. Varga)
Palliser Economic Partnership (Coun. J. Turner)
Police Commission (Coun. R. Dumanowski, Coun. J. Friesen)
Shortgrass Library System (Coun. C. Symmonds)
Subdivision & Development Appeal Board (Coun. W. Cocks, Coun. C. Symmonds)
Tourism Medicine Hat (Coun. L. Pearson)

Did you know?
19,000 Meals on Wheels
were prepared and
delivered in 2016.

CAO'S REPORT

Did you know?

The average length of service for current City employees is 9.92 years.



The City of Medicine Hat has historically relied on revenues from commodity sales to support operating budgets. Without these revenues we are facing a \$23 million annual financial shortfall. "Financially Fit for the Future" is a 10-year plan to close this gap and eliminate reliance on commodity prices from the City's operating budgets.

In 2016 Financially Fit initiatives were subject to the most comprehensive consultation process the City has ever undertaken. This feedback provided a basis for setting service levels which are responsive to the community of users as well as taxpayers.

We moved forward with a number of decisions in 2016 under this plan, such as a new policy on Public Services User Fees, complemented by a Fair Entry Policy, ensuring reasonable access to services for low income individual and families. Council also approved a change to the electric generation capacity charge to reflect the must-run nature of our generating station. Decisions were made to close facilities, to significantly restructure Transit Services, along with numerous cost-cutting measures.

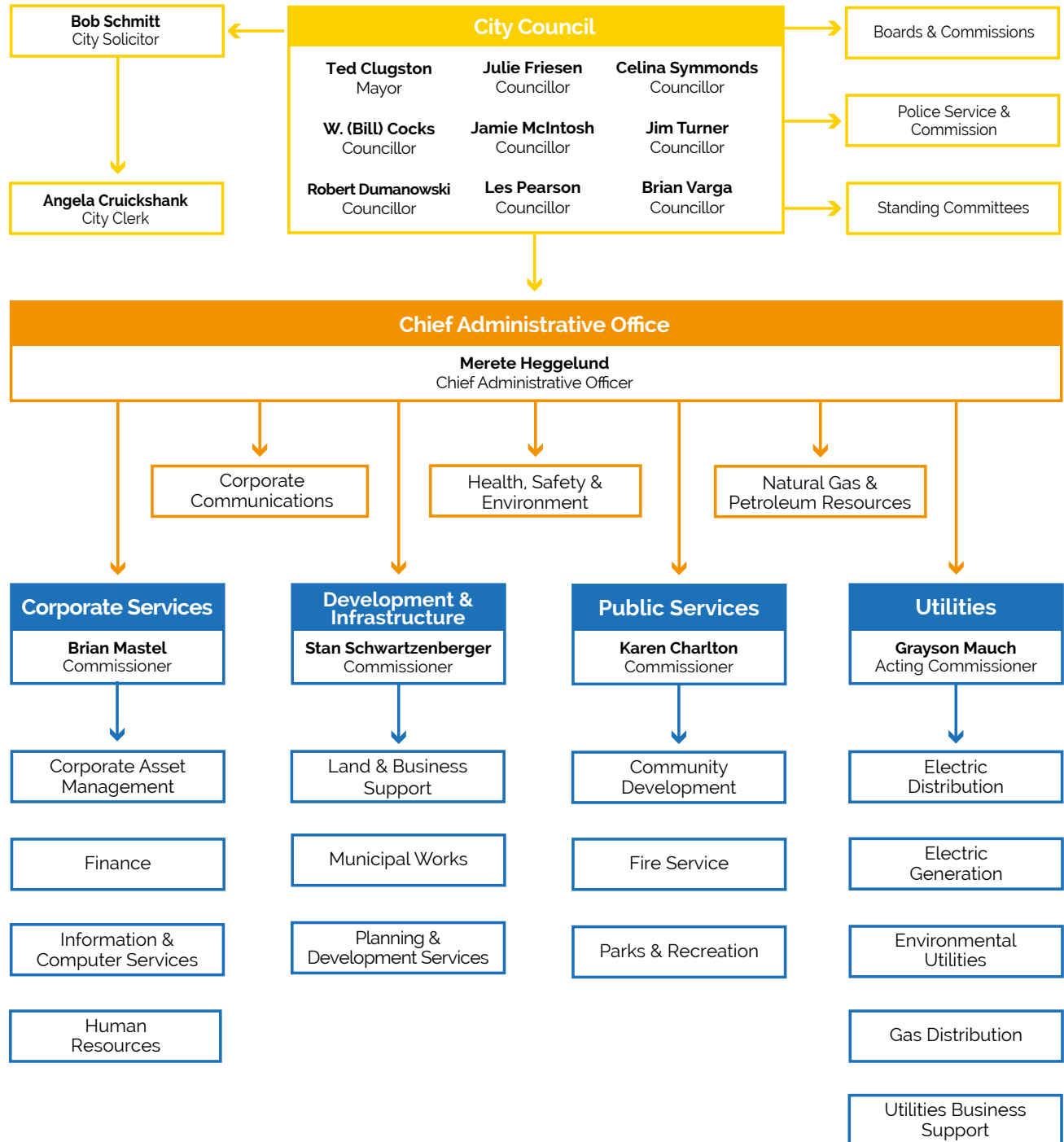
The City also obtained approval to move long-term reserves into the Province's fund management entity, AIMCO, for improved financial returns. As we execute on the upstream oil and gas growth strategy and streamline our electrical generation operations, future financial returns in the form of dividends will be placed in a new Heritage Savings Reserve, providing greater stability and prosperity for the future.

Medicine Hat has community assets that are second to none. We also have committed employees with a heart for public service. With the continued support of the community, we will achieve the financial stability required to ensure that Medicine Hat remains "A Community of Choice" for our children and grandchildren.

A handwritten signature in blue ink, reading "Merete Heggelund".

Merete Heggelund, Chief Administrative Officer
April 18, 2017

ORGANIZATIONAL STRUCTURE *



* As of December 31, 2016

An aerial photograph of a city, likely in the American West, showing a mix of urban development and natural features. A wide river flows through the lower half of the image. In the foreground, there's a large green sports field, possibly a baseball or softball field, with a red infield. Next to it is a large, modern building with a curved roof, likely a community center or sports arena. A parking lot filled with cars is visible nearby. In the background, a multi-lane highway runs through the city, with a bridge crossing a small ravine. The city is surrounded by rolling hills and some open land. The text "COUNCIL'S STRATEGIC PRIORITIES" is overlaid on a blue, torn-paper-like banner in the center of the image.

COUNCIL'S STRATEGIC PRIORITIES

Air Service Development Strategy

Project investment approximately \$1.7M

- Expansion of the main aircraft parking apron adjacent to the passenger terminal and the rehabilitation of the secondary apron and taxiway B
- Expansion enables use by multiple aircraft simultaneously and supports the goal of increased and enhanced scheduled air service
- Secondary apron and taxiway B work provides vital access to commercial, corporate, medivac and private aviation hangars and aircraft services
- Introduction of scheduled passenger service between Medicine Hat and Edmonton twice daily with Integra Air. Travel time reduced to 1 hour and 10 minutes
- Takeoffs and landings in 2016 totaled 19,324. Served 35,918 scheduled passengers generating 60% of the Airport's total revenue



Invest Medicine Hat

2016 contract \$389,750

- Attraction of investment to and within the city
- Increased awareness of competitive advantages and investment opportunities within key target sectors
- Increased investment and access to angel investors, entrepreneurial assistance and website/social media engagement
- 13 local businesses coached
- 12 leads generated
- 3 leads captured
- 20 estimated jobs
- \$10 million estimated investment



Natural Gas & Petroleum Resources Growth Strategy

- NGPR will strategically invest up to \$45 million over the next 3-years (2017-2019) in exploration and drilling to evaluate deeper oil and gas potential in the general Medicine Hat area.
- Land acquisition and seismic commenced in 2016 to prepare for 2017 drilling
- Field delineation efforts continued at Denzil following the discovery well which was drilled early in the year. The field appears to be complex and more work is required to ascertain its overall potential
- If successful the Growth Strategy will generate significant economic activity in the general area and provide distributable funds back to the City of Medicine Hat



Development Investment Readiness Team

- 3 divisions and 7 departments engaged
- 18 industry developers assisted
- Improved awareness of challenges and potential solutions to becoming more efficient and streamlining processes
- Improved awareness of developer needs and new investment opportunities
- Improved system of communication accessible across departments
- Development of a single-source City platform to keep all departments informed
- All departments will continue to improve investment readiness and become more globally competitive



Open for Business Continuous Improvement Initiative

Create a lean streamlined business friendly environment that is globally competitive. An organizational focus towards meeting the needs of business / industry more efficiently and effectively to attract investment to the city and region.

- Updated the City's Municipal Servicing Standards Manual based on industry best practices and stakeholder consultations
- Updated the City's Service Agreement template to assist developers in building our community
- Adoption of the commercial and industrial Land Use Bylaw amendments
- Updated the Community Noise Standards Bylaw
- Implemented the National Energy Code which came into effect on Nov. 1, 2016
- Continued to have positive relations and open communication with industry stakeholders through regular meetings
- Kept Land Use Bylaw updated and improved with timely revisions



Transportation of Dangerous Goods Bylaw Update

The Dangerous Goods route, specifying where dangerous goods are allowed to travel, promotes safety by minimizing traffic hazards and unnecessary exposure to the general public.

- A comprehensive review of the existing Transportation of Dangerous Goods Bylaw was completed based on:
 - Vehicle destinations
 - Ease of navigation
 - Road classification and geometry
 - Surrounding land use
 - Sensitivities to natural habitats and residential neighbourhoods
 - Traffic efficiency and safety

Stakeholder and community opinion was gathered through stakeholder engagement and the public open house process

The update provides improved public safety while supporting local economic growth by allowing safe and efficient movement of dangerous goods.



Downtown Development Incentive Program Program investment \$284,000

Incentivize development for the revitalization and expansion of the city centre.

- 40 grants approved
- 27 properties assisted
- High demand continues to exceed program offerings
- Since program inception in 2011, the city center has experienced visible revitalization and expansion of downtown properties



Did you know?

In 2016 the City Clerk department issued 17 permits for events held on city streets.

INFRASTRUCTURE & AMENITIES

Additional Generation LM6000

Project investment estimated at \$56M

Will add 43 megawatts to the City's power supply, for a total of 246 MW, and will ensure security of City's electrical supply.

- Activities completed in 2016:
 - Sod turning on June 7, 2016
 - Detailed design work
 - Major equipment procurement
 - LM6000 package delivery
 - Site civil works and foundations
 - Contracts in progress for construction of mechanical and electrical/instrumentation systems
 - Design of MHS-16 substation and transmission line complete
- Commissioning planned for September to achieve an October 2017 in-service date



Flood Mitigation

Project investment \$4.25M

To date, over 1,100 properties have been protected in various areas of the city.

- Work continued to implement the Overland Flow Protection Project with the Riverside Phase 1 berm construction - 380 metres of earthen berm and 3.3 metres high demountable flood wall across Parkview Drive
- Will help protect nearly 60 residences in the NE area of the Riverside community from one metre above a 100 year flood event
- Critical in the protection of low-lying areas against flooding through storm system backup, outfall backflow prevention devices were installed along the river and creeks with 37 of the targeted 38 being completed



Connaught Dam Safety Review

A Dam Safety Review is to be completed as per the Canadian Dam Association (CDA) Dam Safety Guidelines every five years.

- The Dam Safety Review for Connaught Dam outlined that the dam and its associated structures are in satisfactory condition and meet the requirements of the Water Act and Canadian Dam Association Guidelines
- No imminent dam safety issues were identified and the standard of care is appropriate for the dam



Gas Well Maintenance and Abandonment

NGPR strives to operate and maintain wells, pipelines, and facilities safely with respect for the environment and surrounding community.

- 2016 performance resulted in:
 - Zero high risk environmental incidents as assessed by provincial regulatory bodies
 - Zero high risk regulatory incidents as assessed by provincial regulatory bodies
- NGPR increased its remedial focus on wells previously abandoned within the city boundary and action plans were implemented for select wells



New Substations

Total Project Budget:
\$19.24M

Project supports flood mitigation at the Power Plant. Intertie to the Alberta electricity grid will be relocated outside the flood zone.

- Activities completed in 2016:
 - Preliminary design and connection plan
 - Alberta Electricity System Operator approval of plan received and functional specifications issued
 - Alberta Utilities Commission applications filed and approved



Pedestrian Improvements

Project investment
\$2.7M

- 69 wheelchair ramps were installed or upgraded
- Approximately 2,200 metres of sidewalk rehabilitated
- 320 metres of new multi-use trail installed along West Boundary Road, improving connectivity along this corridor
- 65 metres of sidewalk re-surfaced in Riverside as part of a pilot project, improving sidewalk safety in a cost effective manner
- New signalized pedestrian crossing was installed at Carry Drive and Calder Road SE



Purmal and Balmoral Sanitary Lift Station Replacements

Project investment
\$8.5M (\$5M Purmal, \$3.5M Balmoral)

Together these lift stations pump over half of the sanitary sewage flows in the city and are aging and in need of replacement.

- Both lift stations were vulnerable to severe flood events and were removed from service in 2005 and 2013, resulting in sanitary sewer backups.
- The new lift stations are designed to remain in service during flood events.
- Construction occurred through 2016 with project completion anticipated around June of 2017. Total construction time is around 18 months



Road Rehabilitation

Project investment
\$1.6M

Over 4.0 kilometres of arterial, 2.0 kilometres of collector and 800 metres of residential road surfaces were rehabilitated or overlaid to improve the levels of service and extend the life of the roads.

- Overlay areas included:
 - College Drive SE
 - 1st Street SE
 - Division Avenue South
 - Division Avenue North
 - Broadway Avenue NW



Transmission Line MH-10L/20L and Substation Upgrades Total Project Budget \$15.6M

Project supports life cycle management of the transmission system and future energy needs by providing increased capacity and reliability throughout the City.

- Completed to date:
 - Upgrade from 69 kV to 138 kV
 - Public consultation process
 - Alberta Utilities Commission approval in place
 - AltaLink line relocated and project materials procured
 - Substation civil grading work complete



Water and Sewer Aging Infrastructure Replacement Project investment \$4.35M

Replacing aging infrastructure improves reliability and resiliency of the water and sanitary systems. Some replacement projects also improve system capacity.

- Oxford Avenue water main upgrade, Anthes area pipe replacement, and numerous valve replacements
- 960 metres of water main replaced
- 13 valves replaced outside of water main replacement projects



West Boundary Road Upgrade and Rehabilitation Project investment approximately \$2.8M

Approximately 360 metres of West Boundary Road between Highway 1 and Box Springs Boulevard were upgraded

- Increased capacity from two to four lanes
- Intersection traffic flow improvements to accommodate larger vehicles
- Installed LED standard street lighting
- Constructed a multi-use trail
- Improved area drainage



Did you know?

Each address in the city with gas service is surveyed every three to four years to check for leaks and ensure pipe safety and integrity.



SOCIAL WELLNESS

Burnside Trail Development

Project investment
\$150,000

- Multi-use 5.9 kilometre natural trail developed in Fall 2016, connecting Medicine Hat and Red-cliff trail systems
- Trail is 2 feet wide with a natural dirt surface that follows the contours of the coulees in Burnside, taking advantage of the beautiful vistas of the river valley
- Worked in collaboration with the 670 Collective Mountain Bike Club to design the trail according to International Mountain Bike standards



Family Leisure Centre (FLC) Expansion

Project investment
\$36M

- Multi year project completed to double FLC in size with the addition of two full-sized gymnasiums, field house with two indoor soccer fields, a fitness area and four-lane 200-metre track
- Additional office spaces and multi-purposes rooms were also constructed along with new seating in the Kinsmen Aquatic Centre
- Booster Juice opened for business in the FLC
- The building was officially re-opened on June 25, 2016 with a week of free admission



Heritage Protection and Designation

- Municipal Historic Resource Designation for Elizabeth Street School and the Monarch Theatre
- Municipal Historic Area Designation for First Street South
- Centennial Certificates issued to owners of 17 historic commercial and public buildings
- Provincial matching grant funding secured to continue resource evaluations in 2017



Did you know?

911 Communications answered 99.35% of all 911 calls within 15 seconds in 2016.

Notify Me Now Launch

Mass notification system NotifyMeNow gives affected residents critical information in a timely fashion to aid in their decision making. Over 32,000 entries downloaded from white and yellow pages as well as self-registration. Residents are encouraged to register/update contact information online at www.notifymenow.ca

- Provides ongoing instructions via phone, email, or text on how to protect their families and property during the disaster and recovery



School and Playground Zone Review

Project investment
\$120,000

The School and Playground Zone Review looked to improve safety throughout the community by creating a singular, clear and consistent message to motorists. This was accomplished by:

- Public consultations and stakeholder input
- Removal of dual zones by implementing only playground zones at both schools and playgrounds
- Modifying the effective times of playground zones in Medicine Hat to 7:30 a.m. to 9 p.m. daily
- Speeds remained at 30kilometre/hr

Onsite surveys, conducted before and after installation and education campaign, indicated an increase in public understanding of the signage and effective times.



Did you know?

62,704 Special Transit trips were booked in 2016.

Seniors Centre Planning

Construction project
budget of \$11.6M

- Seniors Centre Development Design approved in August 2016, utilizing both Veiner and Strathcona Centre facilities
- Information sessions regarding the detailed design were held with Senior Citizens Advisory Committee, Building Committee, the Veiner Centre neighbourhood, Medicine Hat Lions Club and the community at large
- Detailed design and construction drawings near completion at the end of 2016
- Anticipated completion/opening in late Summer of 2018





IMAGE & PROFILE

Alberta Winter Games February 13-16, 2016

- Total attendance including athletes, coaches, officials, managers, parents and spectators, was 8702
- Several City facilities played host to sporting activities during the games:
 - Family Leisure Centre
 - All arenas
 - Canalta Centre
- Opening Ceremonies hosted at the Canalta Centre saw 6,000 people in attendance
- The economic impact for Medicine Hat was estimated at \$4.1 million
- Financial success of the Games has allowed replenishment of funds into the Legacy Games Fund that supports local sport and community initiatives



Destination Marketing Organization 2016 contract \$779,500

Development and promotion of Medicine Hat tourism products and services to target markets that attract visitors to the city.

- Increased awareness of tourism offerings locally and across the border
- Increased awareness and collaboration among tourism and stakeholders
- 8.9% increase in visitors to the Visitor Information Centre
- 60% increase in print distribution to 152 locations across western Canada and United States
- 169,000 views of tourism stakeholder profile pages resulted in over 79,000 clicks to stakeholder websites and 21,900 calls to stakeholders



HAT Smart Leadership

The award-winning HAT Smart program continued to demonstrate leadership in environmental initiatives. The program promotes energy conservation and helps raise customer awareness to encourage environmentally conscious home upgrades.

- Rebates totaling \$355,316 were provided for windows, doors, insulation, residential solar installations, and Scratch & Win items
- Installed a 4.5 kW solar photo voltaic system at the Medicine Hat Public Library under the Alberta Municipal Solar Program, upgrading the 1 kW system installed in 2006. Funded by HAT Smart, the Municipal Climate Change Action Centre, and Terralta
- Sponsored a scholarship for a Medicine Hat College student (\$1,000), the "HAT Smart Awards" at the Southeast Alberta Kiwanis Science Fair (\$1,000), and Litter Blitz (\$2,000)



Did you know?

The City received 20 years of accreditation under the Alberta Safety Codes Act. Over 12,000 inspections were conducted in 2016.

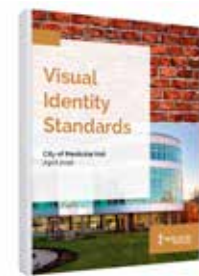
Herald Area Redevelopment Plan

- On March 7, 2016, Council adopted the Herald Neighbourhood Plan to guide future redevelopment that will maintain the established character of the area and make positive contributions to the community
- Public engagement strategy included three open houses, coordination and updates to the Heritage Resources Committee, and a project website for the public to review information
- The vision and objectives of the Plan were based on public feedback and staff research
- The result is "A neighbourhood where the established pattern of land use, built form, and density are maintained and existing commercial and open space components are compatible and complementary with residential areas."



Visual Identity Standards Update

- Updated City's Visual Identity Standards to a more modern and vibrant look. The standards describe the City's visual look and approved graphic elements and their use
- Standards maintain usage of the Gas City logo
- Updates include a more robust colour palette and supporting Medicine Hat textures (clay brick, oasis sky and park grass), adding to the attractiveness of City templates and publications
- Visual Identity Standards and materials for external use have been published to the City's external website



Did you know?

68 traffic controllers are in place to handle traffic at busy intersections in the City.

\$ FISCAL MANAGEMENT

Alberta Municipal Benchmarking Initiative

The benchmarking reports promote discussion, understanding of trends and identification of best practices for efficiency and effectiveness in 10 Alberta municipalities

- Ten core service areas include:
 - Drinking Water Supply
 - Roadway Operations and Maintenance
 - Wastewater Collection, Treatment and Disposal
 - Snow and Ice Management
 - Police Protection
 - Fire Services
 - Transit
 - Residential Solid Waste Management
 - Parks Provision and Maintenance
 - Recreation, Facility Booking and Maintenance
- Benchmarking reports are posted to the City's website once complete. Ultimately participation in this initiative will lead to a positive change in the delivery of core services to our residents



Electric, Gas and Water Automated Meter Deployment

Automated metres provides for fair and timely billing, elimination of estimated reads, and enhanced ability to manage consumptive patterns. Reduced operating costs, greater efficiency and renewed infrastructure will save the City approximately \$25 million over the project's 20-year lifespan

- City Council has directed that all customers employ automated meters. The Utilities have achieved a 99.97% completion of the total system integration and continue to work collaboratively with our customers to achieve 100% integration
- 2014-15 data shows savings related to vehicle rollouts and service calls, move outs, and special reads. Elimination of manual meter reading and other field service visits have reduced the use of utility vehicles which in turn reduces motor vehicle carbon emissions
- Additional savings will continue to be realized as customers monitor and adjust their own energy consumption based on the information available in daily consumption records



Fire Station #2 Relocation Project investment \$9.5M (including land)

Relocating to the new station at 1303 Trans Canada Way SE will significantly improve response coverage in the south end of the City as per the Fire Response Coverage Optimization Plan approved by Council in January 2013. It will also delay the need for construction and operation of a fourth fire station through more effective and efficient use of existing resources.

- 1908 square metres of floor space
- Will house fire suppression crews, fire prevention officers, training officers and administrative staff. 18-20 staff total
- Construction was substantially completed in 2016, with Fire Services receiving occupancy in early February 2017



Major City Investment Regulation

Medicine Hat is now included in the provincial Major Cities Investment Regulation, allowing access to a broader range of investment opportunities, such as equities, which generally attract higher investment returns. Edmonton and Calgary are the only other cities in Alberta that are included in this regulation.

- Established an Investment Advisory Panel to provide advice for management of the City's \$500 million treasury portfolio. Panel is comprised of senior finance personnel as well as three public members familiar with investment strategy and performance management
- Will begin investment of up to \$130 million longer-term funds with Alberta Investment Management Corporation (AIMCo). Investments will be diversified across various industries and markets to balance rate of return and risk to capital



Financially Fit for the Future

As a result of falling commodity prices, the City of Medicine Hat faced a \$23 million shortfall in its annual energy subsidy to the City's operating budget at the beginning of 2016. This shortfall is likely to continue for many years.

- In May 2016, Council adopted key principles of Financially Fit for the Future which will guide the preparation of future budgets
- The framework will facilitate community engagement, honest debate and difficult choices around fiscal management and core services while continuing to invest in the community's future
- A 10-year plan will position the City to be sustainable over the long term and ensure that our children and grandchildren will enjoy the quality of life we do today
- Initiatives adopted in 2016 and implemented through the 2017-18 budget bring the gap closer to \$16 million. This is achieved through a combination of cost cutting, service level adjustments and gradual increases in user fees and taxes



Natural Gas & Petroleum Resources Fiscal Management

Measures implemented to promote financial stewardship:

- Offset \$18 million reduction in revenue through expense mitigation and capital deferral
- Monitored accounts receivable to proactively signal whether an industry partner is in financial difficulty, with action taken where necessary
- Utilized an independent third party to conduct a review of future abandonment and reclamation obligations
- Developed a hedging policy to mitigate the uncertainty and impact caused by commodity price volatility to cash flows
- Commenced strategic review of all production properties identifying core high value retention assets and low-value disposition assets. Any dispositions are expected to improve average cash flow per production well metrics and reduce the well count and the abandonment and reclamation cost
- Formed a Technical Review Panel comprised of five industry professionals to provide NGPR with external opinions and context



Did you know?

20% of properties are reviewed on an annual basis by Assessment. Staff conduct interior or exterior reviews, send out surveys to owners for self-reporting, and use online tools such as aerial photos and multiple listing services.



CITY GOVERNMENT

Emergency Management Training & Exercise

February 13-16, 2016

- The City's Emergency Management team conducted three small table top exercises to familiarize staff and agency partners with the 2016 approved Municipal Emergency Management Plan
- Municipal Emergency Management Plan is applicable to all events and hazard types
- 355 employees trained to ICS 100 – Introduction to Incident Command Systems
- 240 employees trained to ICS 200 – Basic Incident Command System
- 58 employees trained to ICS 300 – Expanding Incidents
- 16 employees trained to ICS 400 – Advanced Command and General Staff – Complex Incidents



Internal Safety Audit

- The internal audit score for 2016 was 88% with 80% being considered a "pass"
- A second requirement to pass is to score at least 50% in each of the eight elements. The lowest scored element was Formal Workplace Inspections with 82% and the highest scored element was Program Administration with 95%
- An audit action plan has been developed that continues to focus on refinements and improvements in our Safety Management System



Leadership Through Good Governance

- City Council adopted/updated a number of policies, standards and bylaws to ensure good governance and oversight for City business and activity in the community:
 - Investment Policy
 - Alcohol Management Policy
 - Hedging Policy
 - Subsidy Levels and User Fees for Public Services Policy
 - Public Services Fair Entry Policy
 - Community Noise Standards Bylaw
 - Tree Preservation Bylaw
- Development of many City policies and bylaws includes engagement and input from internal and external stakeholders, including the community at large. Policies and bylaws are reviewed regularly to ensure relevancy and appropriateness



Did you know?

Human Resources processed over 7,700 resumes in 2016



FINANCIAL REPORT

TREASURER'S REPORT

Did you know?

The City had \$481 million in investments, with 2.77% annual investment return achieved in 2016 versus a target of 2.5%.



I am pleased to submit the City of Medicine Hat Consolidated Financial Statements for the fiscal year ended December 31, 2016. Most of the information in this report is drawn from the financial information appearing in the 2016 City of Medicine Hat Consolidated Financial Report, a more detailed and complete financial presentation prepared in conformance with Public Sector Accounting Standards (PSAS) that was audited by independent auditors, KPMG LLP, receiving an unmodified opinion. The statistical, economic and demographic data are taken from various sources and are not PSAS-basis data. Both reports are available for viewing at www.medicinehat.ca/reports.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City for its Financial Report for the fiscal year ended December 31, 2015, the fourteenth year in a row.

Administration strives to ensure that this report presents fairly the financial position of this City. The report compares how financial resources were used against budgets and past financial performance.

A handwritten signature in blue ink, appearing to read 'Brian Mastel'.

Brian Mastel, Corporate Services Commissioner
April 18, 2017

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, two-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.

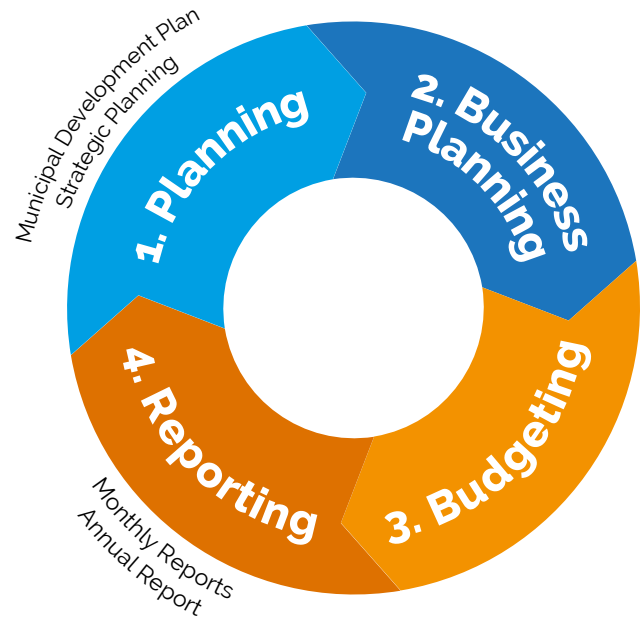
Budget guidelines and high level financial projections are developed. Based on these guidelines and departmental Business Plans, departments develop their budget requests. City Council has approved the adoption of a two-year operating budget together with a two-year projection, and a two-year capital budget with an eight-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 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 identify proposed capital project expenditures and their sources of financing.

For the 2015 - 2016 budget period the City employed a capital ranking process for the tax supported departments. This process is intended to ensure that capital funding is allocated to the projects that will provide the highest value to the municipality.



Did you know?

Over 500,000 invoices and statements for taxes, utilities and accounts receivable are sent out each year.

FINANCIAL HIGHLIGHTS

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

Due to the decline in gas and oil commodity prices as well as the related economic downturn, the City is experiencing lower revenues from its Gas and Electric business. As a result, there is

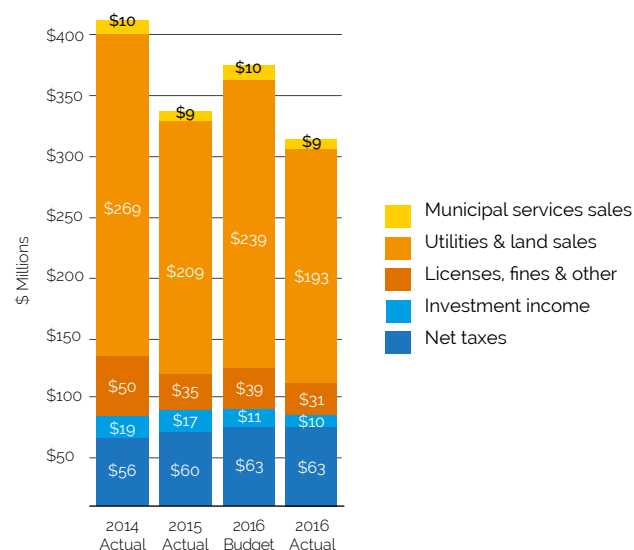
a \$23 million shortfall in the annual energy subsidy to the City's 2017-2018 operating budget. This shortfall is likely to continue for many years.

During the year, Council adopted the key principles of Financially Fit for the Future which is our response to this financial challenge. Over the next decade, this framework will facilitate discussion around fiscal management and delivery of core services with a goal of becoming sustainable over the long term.

Revenues

Revenue before capital contributions and grants was \$306.0 million versus budget of \$361.5 million. Sale of services was \$47.3 million lower than budget mainly due to lower consumption and commodity prices for oil, gas and electric as well as lower lot sales in Land and Business Support. Gas revenues were \$21.2 million lower than budget primarily due to gas prices at \$2.10 per gigajoule versus budget at \$2.83 per gigajoule and oil prices at \$37.95 per barrel versus budget at \$44.47 per barrel. Electric revenues were \$16.0 million lower than budget due to prices at \$42.57 per megawatt hour versus budget at \$49.58 per megawatt hour. Land and Business Support lot sales were 24 lots versus 90 budgeted.

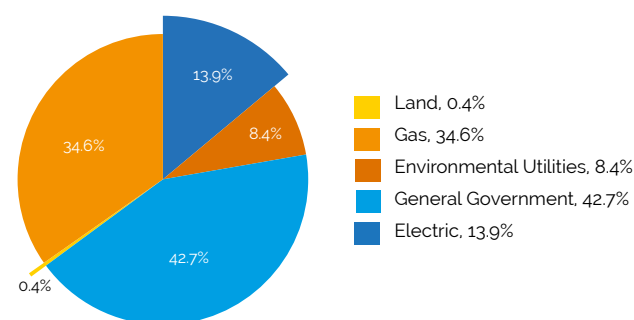
2016 revenues were lower than 2015 actual revenues mainly due to lower electric commodity prices and lower lot sales in Land and Business Support.



Expenses

Overall the City operating expenses for the year were \$24.2 million lower than budget mainly due to lower gas expenses as a result of savings from lower operations and maintenance activity; lower electric expenses due to savings in fuel purchases and electric energy purchases as a result of the lower commodity prices; and lower Land and Business Support expenses due to selling fewer lots than budgeted.

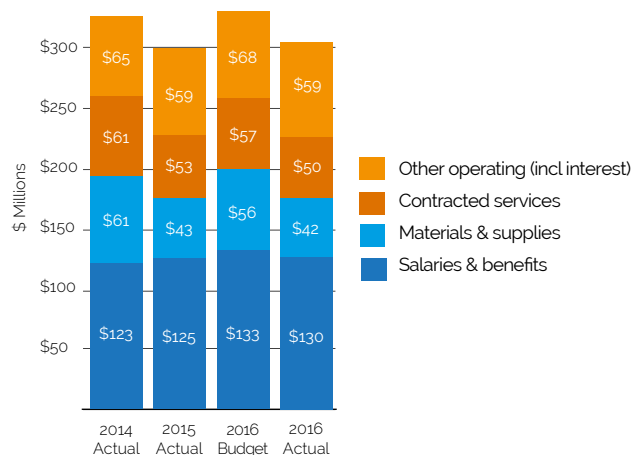
2016 expenses are lower than 2015 actual expenses by \$44.5 million mainly due to lower gas expenses primarily due to a larger impairment being recognized in 2015 on the natural gas and oil reserves; and lower electric expenses mainly due to savings in fuel purchases as a result of lower gas commodity prices in 2016.



Expenses by Type

The Consolidated Expenses by Object Schedule details 2016 actual (\$358.7 million) and budgeted (\$382.9 million) by expense type. The chart to the right excludes amortization, impairments, and disposal expenses. Variances from budget for other operating expenses, contracted services, and materials and supplies are mostly related to the lower activity due to the economic downturn and lower gas and electric commodity prices.

The 2016 actual expenses by type are marginally higher than 2015 due to higher salaries and benefits mainly due to union contract settlements.



2016 Capital

Capital expenditures for the year were \$123.0 million plus contributions from developers of \$2.5 million. While the City's approved 2016 budget for capital items was \$170.7 million, the current expenditures include \$93.8 million for projects carried forward from previous budget years.

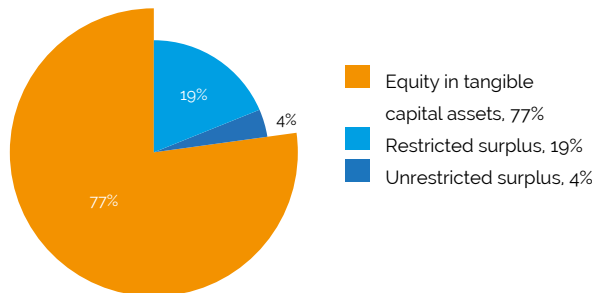
The 2016 capital expenditures were funded by grants received from the Province of Alberta and the Federal Government of Canada, as well as reserves, operating funds, debenture borrowing, third party contributions and internal loans.

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 2016 the consolidated fund and equity balances decreased by \$29.8 million to \$1,276.9 million.

\$45.6 million of the accumulated surplus is unrestricted. This unrestricted amount is used as working capital to fund day-to-day operating activities of the City. The restricted amount is \$247.2 million and is largely dedicated to capital activities of the organization.

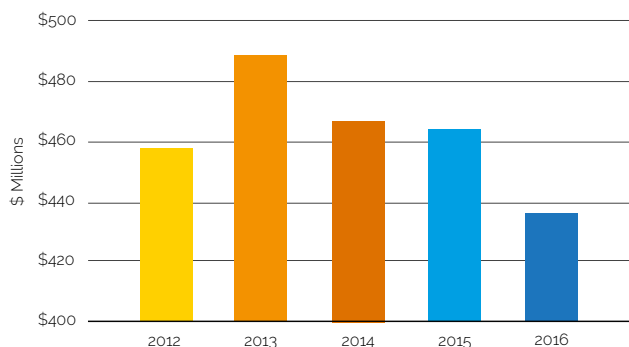
Equity in the City's tangible capital assets increased by \$15.8 million to \$984.1 million this year as a result of an increase in City assets offset by accumulated amortization and debt.



Investments

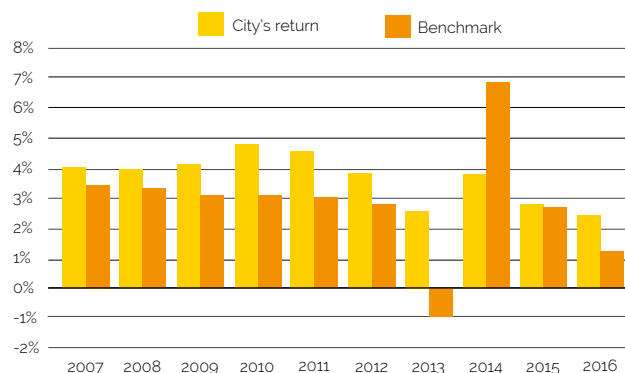
Investments, Loans and Advances decreased \$24.6 million from 2015 to \$432.8 million largely as a result of funds being used for community projects such as flood mitigation and berms, the Family Leisure Centre and the construction and relocation of Fire Stations #1 and #2.

Investment Portfolio - Market Value



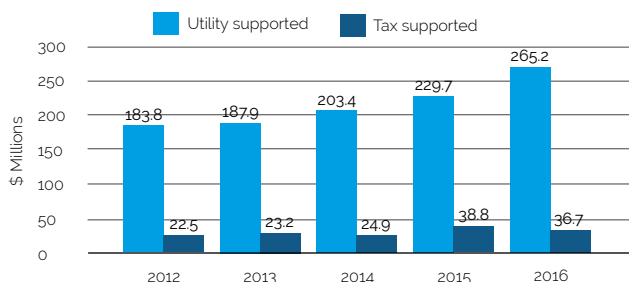
The City of Medicine Hat's investment return for the year ended December 31, 2016 averaged 2.47 per cent higher than the FTSE TMX Canada Universe Bond benchmark index of 1.24 per cent. The City's average portfolio return has outperformed the stated benchmark over the last nine years with the exception in 2014 due to the City's term to maturity being less than the benchmark.

Rate of Return



Long-Term Debt

During 2016, total Long Term Debt increased \$33.4 million to \$301.9 million as a result of new borrowings exceeding repayments. Total debt principal repayments were \$22.8 million and new debt was \$56.3 million. New debt represents \$16.2 million for improvements to Environmental Utility assets, \$38.6 million relate to Electric Utility assets, and \$1.5 million for municipal infrastructure.



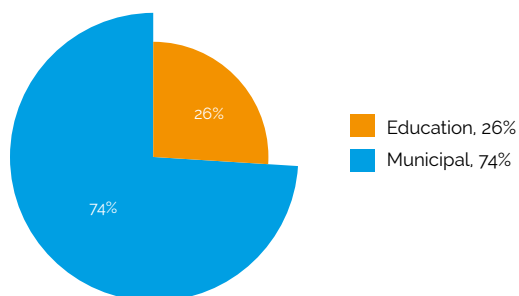
The Minister of Municipal Affairs has prescribed limits for total debt and debt servicing for municipalities in the province. The debt limit is defined as two times revenue net of capital government transfers, and the debt servicing limit is limited to 35 per cent of revenue net of capital government transfers. For purposes of these calculations actual total debt includes long and short term debt as well as loan guarantees in the amount of \$2.1 million.

City's 2016 Debt Limits		2016
Debt limit		\$ 612.0
Actual total debt		304.0
Amount under limit		\$ 308.0 50%
Debt servicing limit		\$ 107.1
Actual debt servicing		33.2
Amount under limit		\$ 73.9 69%

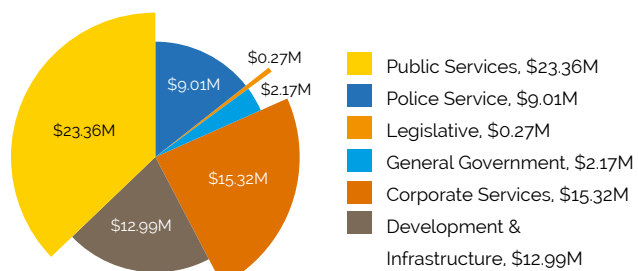
Use of Municipal Tax Revenue

Municipal property taxes contributed \$63.1 million (41.3%) of the consolidated General Fund operating expenses of \$153.0 million. Other revenue sources mainly include investment interest, sales, government grants, fees and permits.

Property Tax Allocation



Municipal Tax Revenue Allocation



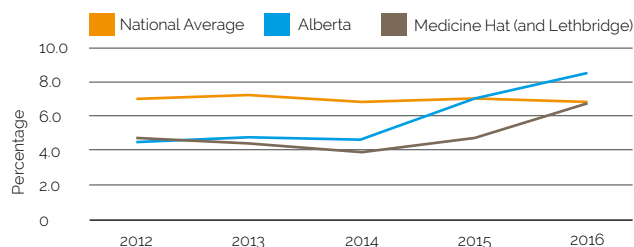
Did you know?

It takes approximately 32 hours per week to empty all of the large garbage cans in our parks – more in the summer!

ECONOMIC INDICATORS

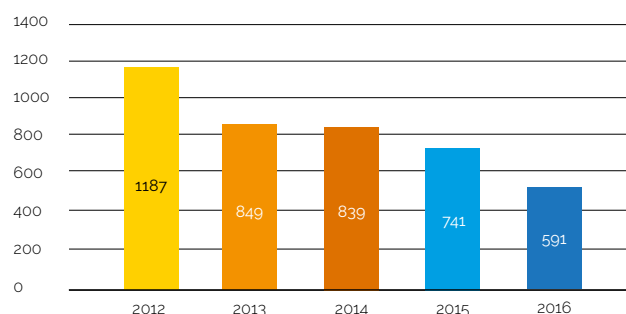
Unemployment Rate

The unemployment rate in Medicine Hat and Lethbridge at the end of 2016 was 6.47%, while the 2016 average was 6.8%. The average Alberta unemployment for 2016 was 8.5% compared to 6.9% for Canada.



Number of Development Permits Issued

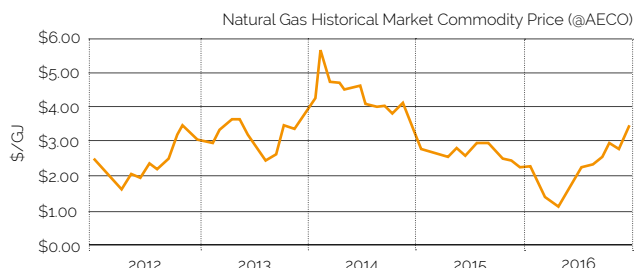
The number of development permits has decreased since 2013. The primary reason for this drop was the adoption of the new 2013 Land Use Bylaw (LUB). Under the new LUB permits are not required for many minor developments or they can be included in a larger permit. As a result, the new LUB and its simplified permitting system resulted in fewer permits issued. The economic downturn also contributed to the decrease in 2016.



Gas

The severe decrease in the natural gas prices in the early part of 2016 was mainly due to volumes in storage far exceeding the five-year average due primarily to the mild winter. As demand exceeded North American production for most of the year, storage levels returned to their norms and prices strengthened. However, natural gas storage volumes in Alberta remain significantly above the five-year average.

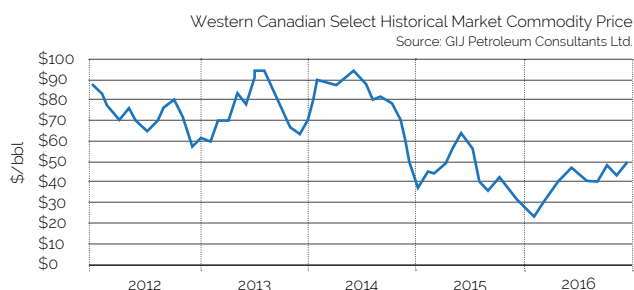
2016 sales gas volume from production for the City of Medicine Hat was 16.0 billion cubic feet (16.8 million gigajoule (GJ's). A \$1/GJ change in the commodity price would affect annual gross revenue by \$16.8 million.



Oil

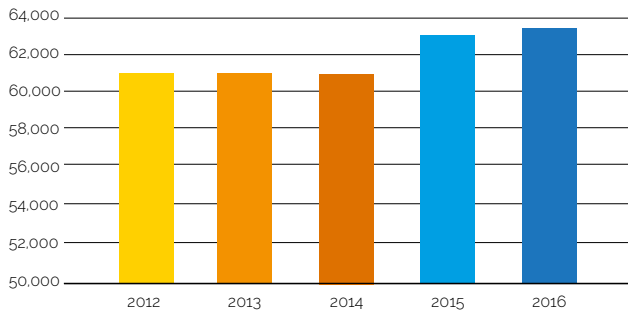
The decrease in oil prices early in 2016 was due to supply continuing to exceed demand globally as part of the economic slowdown. 2016 oil prices improved later in the year as OPEC countries agreed to supply curtailments in an effort to improve prices.

2016 oil production for the City of Medicine Hat was 601,885 barrels. A \$1/barrel change in the commodity price would affect annual gross revenue by \$601,885.

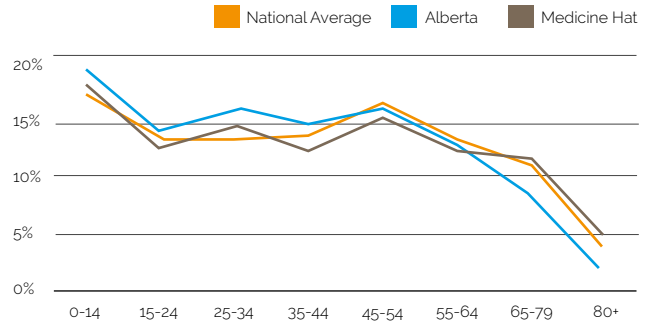


DEMOGRAPHICS

City of Medicine Hat Population



Population Age Distribution



City of Medicine Hat Full-Time Equivalent Employees

	2012	2013	2014	2015	2016
Legislative	1.5	1.0	1.0	1.0	1.0
General Government	21.5	21.5	31.1	35.1	35.3
Corporate Services	163.5	158.1	163.7	166.1	166.1
Public Services	343.6	344.1	340.6	338.7	342.1
Police Services	157.0	157.0	157.0	153.5	153.5
Development & Infrastructure	96.4	98.2	98.6	98.6	99.6
Total Tax Supported Full-Time Equivalent Employees	783.5	779.9	792.0	793.0	797.6
Gas Utility	151.0	156.0	155.0	146.0	145.0
Electric Utility (& Utilities Business Support)	117.7	117.7	123.7	127.3	127.3
Water Utility	40.8	41.3	41.3	42.3	42.3
Sewer Utility	39.7	40.2	40.2	41.2	41.2
Solid Waste Utility	34.4	34.4	34.4	34.4	34.4
Land & Properties	5.0	5.0	5.0	5.0	5.0
Total Utility Full-Time Equivalent Employees	388.6	394.6	399.6	396.2	395.2
Total Full-Time Equivalent Employees	1,172.1	1,174.5	1,191.6	1,189.2	1,192.8

Principal Employers in Medicine Hat

Public

Medicine Hat Regional Hospital
 Medicine Hat School District
 City of Medicine Hat
 Province of Alberta
 Medicine Hat Catholic Board of Education

Private

Canadian Pacific Railway
 Wal-Mart
 The Real Canadian Superstore
 Medicine Hat Co-op
 CF Industries

CONSOLIDATED STATEMENTS

Consolidated Statement of Financial Position (unaudited)

As at December 31, 2016 (in thousands of dollars)

	2016	2015	2014
Assets	\$ 526,417	\$ 555,005	\$ 610,058
Liabilities	668,580	620,195	526,228
Net financial (debt) assets	(142,163)	(65,190)	83,830
Non-financial assets	133,122	135,099	105,474
Tangible capital assets	1,285,951	1,236,755	1,151,530
Accumulated surplus	\$ 1,276,910	\$ 1,306,664	\$ 1,340,834

Consolidated Statement of Operations (unaudited)

For the year ended December 31, 2016 (in thousands of dollars)

	2016 Budget	2016	2015	2014
Revenue	\$ 361,525	\$ 305,982	\$ 329,391	\$ 403,127
Expenses	382,865	358,674	403,199	404,856
Deficiency of revenue over expenses - before other revenue	(21,340)	(52,692)	(73,808)	(1,729)
Other revenue				
Capital contributions and grants	22,303	22,938	39,638	32,176
Annual (deficit) surplus	963	(29,754)	(34,170)	30,447
Accumulated Surplus (beginning of year)	1,306,664	1,306,664	1,340,834	1,310,387
Accumulated Surplus (end of year)	\$ 1,307,627	\$ 1,276,910	\$ 1,306,664	\$ 1,340,834

Did you know?

Accumulated surplus is the amount by which all assets (financial and non-financial) exceed all liabilities. An accumulated surplus indicates that the municipality has net resources that can be used to provide future services.

Did you know?

A net financial asset is when the financial assets are greater than the municipalities liabilities.

A net financial asset position indicates that the municipality has the necessary financial resources on hand for future operations.

Consolidated Statement of Change in Net Financial (Debt) Assets (unaudited)

For the year ended December 31, 2016 (in thousands of dollars)

	2016 Budget	2016	2015	2014
Annual (deficit) surplus	\$ 963	\$ (29,754)	\$ (34,170)	\$ 30,447
Increase in tangible capital assets	(137,347)	(122,995)	(238,231)	(167,931)
Amortization/Disposal of tangible capital assets	69,425	78,732	123,395	94,977
	(66,959)	(74,017)	(149,006)	(42,507)
Acquisition/Consumption of inventories and supplies	-	(260)	(444)	(129)
Net transfers (acquisition) of land held for future development	1,718	(3,653)	(33)	3,267
Acquisition/Consumption of prepaid assets	-	957	463	(419)
	1,718	(2,956)	(14)	2,719
Decrease in net financial (debt) assets	(65,241)	(76,973)	(149,020)	(39,788)
Net financial (debt) assets, beginning of year	(65,190)	(65,190)	83,830	123,618
Net financial (debt) assets, end of year	\$ (130,431)	\$ (142,163)	\$ (65,190)	\$ 83,830

Did you know?

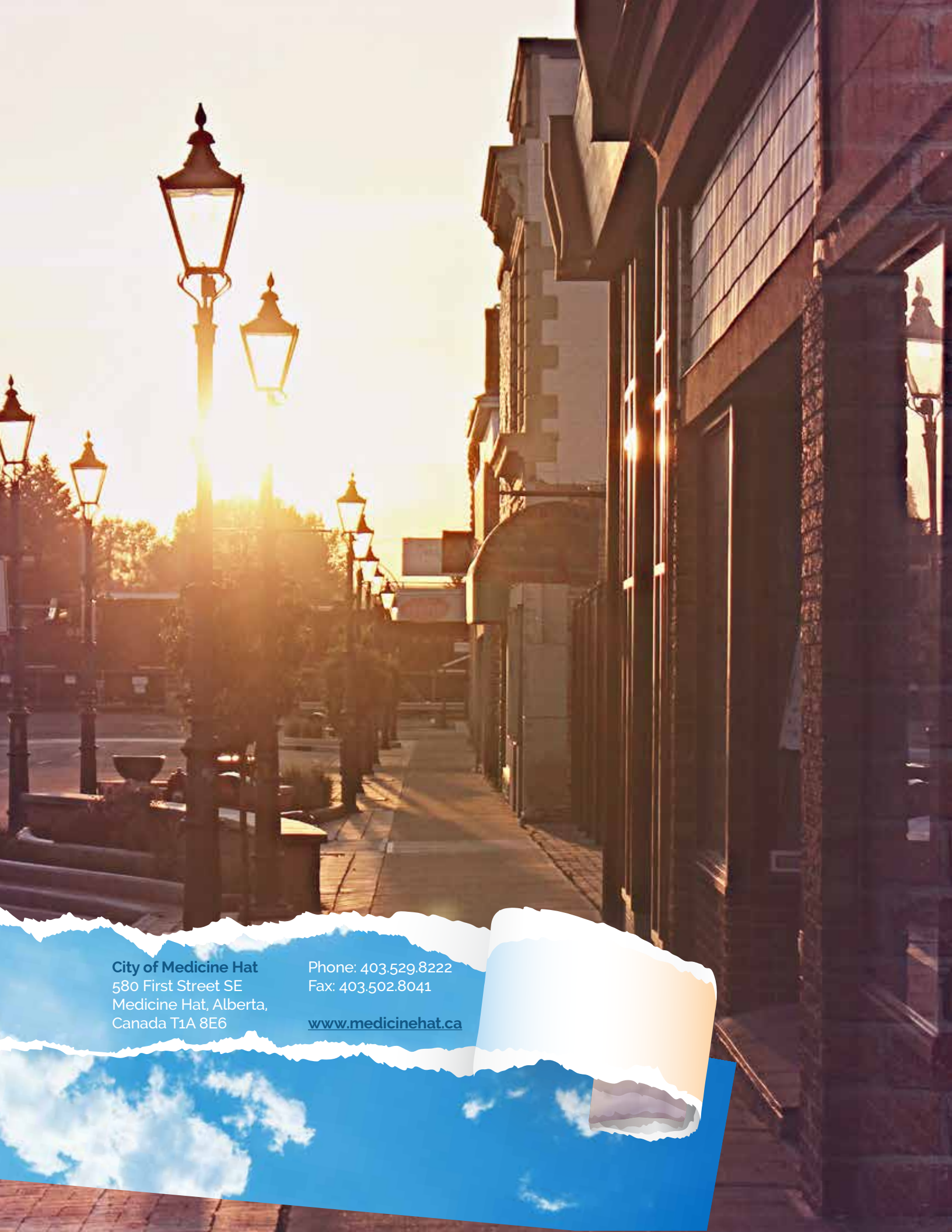
Net financial debt is when the financial assets are less than the municipalities liabilities. A net financial debt position indicates that the municipality requires future revenues to pay for past transactions and events.

Consolidated Statement of Cash Flows (unaudited)
For the year ended December 31, 2016 (in thousands of dollars)

Net inflow (outflow) of cash related to the following activities:	2016	2015	2014
Operating			
Annual (deficit) surplus	\$ (29,754)	\$ (34,170)	\$ 30,447
Non-cash items included in annual surplus	74,959	116,930	89,954
Non-cash items relating to capital and investing activities	1,002	856	-
Non-cash changes to operations (net change)	\$20,009	65,150	(521)
Cash provided by operating transactions	66,216	148,766	119,880
Cash applied to capital transactions	(119,222)	(209,923)	(166,391)
Cash provided by investing transactions	21,736	4,812	36,714
Cash provided by financing transactions	33,421	40,191	17,140
Change in cash and equivalents during the year	2,151	(16,154)	7,343
Cash and cash equivalents, beginning of year	4,621	20,775	13,432
Cash and cash equivalents, end of year	\$ 6,772	\$ 4,621	\$ 20,775
Cash and cash equivalents consist of the following:			
Cash	\$ 45,399	\$ 40,366	\$ 59,753
Less: restricted portion of cash and temporary investments	(38,627)	(35,745)	(38,978)
Total	\$ 6,772	\$ 4,621	\$ 20,775

Did you know?

Annual surplus is the excess of revenues over expenses. Annual deficit is when the expenses exceed the revenues. The annual surplus or deficit shows whether the revenues raised in the year were sufficient.



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