



## **Corporate Governance**

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## **City Council**

as of December 31, 2015

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?
Each Council
member attended
an average of 13
community events
per week in 2015.



## **Mayor's Report**

This 2015 Annual Report sums up the second full year for both City Council and Mayor Ted Clugston.

The physical landscape of Medicine Hat has changed greatly over the past few years, with new landmarks and features added to our community in 2015 that demonstrates Council's commitment to our six strategic priorities.

I invite you to read about the City's achievements in the pages of this annual report. The Canalta Centre opened in August, bringing new opportunities for concerts, touring shows and sporting events. Berms were completed in Harlow and Lion's Park, protecting entire neighbourhoods from flood. Downtown businesses benefitted from a continued revitalization program, the airport was expanded and renovated and compressed natural gas fuelled buses and solid waste vehicles hit the road.

The list goes on, with more to come in 2016 as we continue work on flood mitigation projects, the construction of Fire Station 2 and will open the Family Leisure Centre expansion. We also anticipate beginning construction on a new seniors centre.

Moving forward, Council remains focused on creating a community of choice, through provision of quality infrastructure and amenities, in a safe, caring environment. This action, along with focused initiatives to spur economic development and promote our community, will help us to attract investment in the form of business, tourism and new residents. Given the challenges being experienced in the energy sector, continuing with that work is necessary to help stimulate the local economy and help Medicine Hat continue to thrive.

Ted Clugston, Mayor

April 21, 2016

## **Administrative Committee**

as of December 31, 2015

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 issues impacting the Corporation.



**Ted Clugston** Mayor



Merete Heggelund Chief Administrative Officer



**Brian Mastel**Commissioner of
Corporate Services



Stan
Schwartzenberger
Commissioner of
Development &
Infrastructure



**Karen Charlton**Commissioner of
Public Services



**Dave Panabaker** Acting Commissioner of Utilities





**Bob Schmitt** City Solicitor



**Angela Cruickshank** City Clerk

## **Commissions & Boards**

## Standing Committees

## Did You Know?

Youth Advisory
Committee is looking
for new members!
For more info, visit
medicinehat.ca/yab.

## Did You Know?

In 2015, Special Transit provided an average of 4 passengers trips an hour (almost twice the national average).

## **Did You Know?**

Heritage Resources Committee members logged over 727 volunteer hours in 2015.

#### **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)

Economic Development Alliance of Southeast Alberta (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)

#### 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

## **Utilities & Energy**

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

## **CAO's Report**

The City of Medicine Hat provides a wide range of services and infrastructure to its residents. Four divisions, Corporate Services, Development and Infrastructure, Public Services, and Utilities, operate under the direction of the City's Chief Administrative Officer (CAO).

The City achieved a milestone in 2015 as Council approved a significant restructuring by blending Energy and Municipal areas that used to report separately to Council into four distinct divisions; Utilities, Development and Infrastructure, Public Services, and Corporate Services. All four divisions as well as the Natural Gas and Petroleum Resources department now report through the CAO's office.

It is easy to sit on the inside and see the improvements in communication, collaboration and productivity, but from a taxpayer's point of view what did this restructuring accomplish? From a cost perspective we saved about \$600,000 annually in direct salaries and benefits with immediate effect. Re-alignment and optimization has resulted in an estimated total savings to date of approximately \$1.5 million annually that can be directly attributed to this restructuring.

In 2015, low electricity, oil and natural gas prices caused major upheaval in the economy with mounting job losses. Our municipality's finances

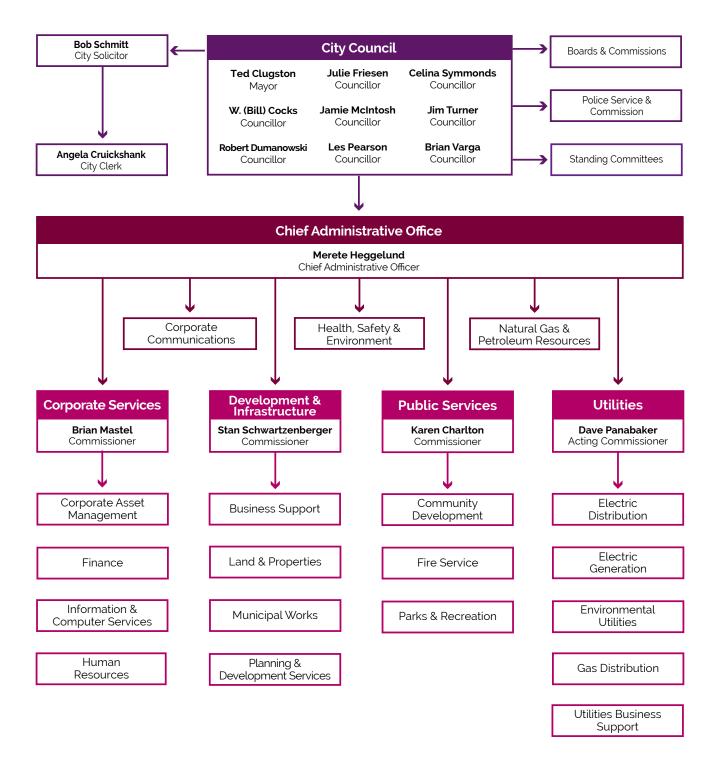


are directly impacted by the \$23 million per year loss of dividends from upstream oil and gas production and electricity generation. Unlike the other levels of government, we are not allowed to run deficits. While we have financial reserves that can help bridge this gap over the short-term, important long-term adjustments must be made.

Our operations need to be supported in a sustainable way and not subject to swings in revenue. In this context, streamlining the organization will not only help us best serve the public, the cost savings are a step in the right direction of becoming financially fit for the future.

Merete Heggelund, Chief Administrative Officer April 21, 2016

## **Organizational Structure**





## **Economic Development**

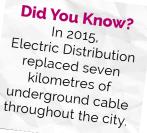


**Development Tax** 

Completed a comprehensive review of the off-site levy rate developers contribute to City infrastructure.

Worked collaboratively with industry and City Council to establish a strategic Municipal Development Assist program to encourage development.

Strategic intensification zones such as the City Centre and Airport areas now eligible for a 90% municipal contribution to the off-site levy rate.





Downtown Development Incentive Program (DDIP)

Grant funding of \$200,000 for a variety of initiatives for property owners.

Fifteen properties in the city centre area at or near completion.

Available programs:

- Commercial
- Multifamily
- Live/Work
- · Residential Development
- Architectural/Visual Enhancements
- Environmental Site Assessment
- Remedial/Risk
   Management



**Economic Development Strategy and Priorities** 

Extension of the Tourism Services contract to the Destination Marketing Organization for an additional three years.

Ongoing strategic meetings with air service providers to enhance and grow air service.

Continued efforts to strategically improve and streamline public service via training, development and technology improvements.

Engaged in a two year contract for economic development services with Rameco Consulting Group.



Natural Gas &
Petroleum Resources

Tested and received provincial regulatory approval for use of new technology that reduces the surface land disturbance during the downhole abandonment process. Benefits are reduced environmental impact and lower costs to successfully abandon and reclaim a surface lease.

NGPR partnered with the third party operator to complete construction on a tertiary (polymer) recovery facility to enhance recovery of the heavy oil produced northeast of Medicine Hat. It is anticipated this project could increase the amount of oil recovered in the portion of the affected reservoir by as much as 10% of the original oil in place (moving total recovery from 20% to 30% over the remaining 35+ year life of the asset).

## We foster a sustainable, growing and diverse economy with a strong industrial base and a vibrant downtown.



Downtown Beautification (500 Block of 2nd Street)

\$3.9 million project in support of the Downtown Redevelopment Plan by replacing aging infrastructure and enhancing the streetscape

- More visible mid-block crossings (wider crossings and stamped concrete)
- Intersection bulb-outs to enhance pedestrian safety
- Decorative concrete and restored brick pavers on sidewalks and boulevards
- · Replacement of trees
- New benches, garbage cans and bike racks
- Upgraded water and sewer mains



South Saskatchewan River Valley Recreation Opportunities Assessment

The report assessed the current and future need for recreation and leisure opportunities within the South Saskatchewan River Valley.

Included extensive public engagement and stakeholder consultation that identified recreational opportunities to improved access and use of the river.

A 10-year-plan has been developed to guide future decision making for recreation and leisure facilities, amenities and programs in the river valley subject to funding availability.



Development and Building Review and Approvals

Provided excellent customer and technical service in supporting development projects.

- 741 development permits issued
- 902 building permits issued
- 3,355 mechanical permits issued
- 3,829 new and/ or renewed business licenses
- 8,611 customer calls received
- 14,637 Safety Code inspections conducted
- 657 compliance letters issued



Airport Terminal Expansion and Renovation 2012-2015

Completed \$5.3 million renovation of original 1980 structure and 500 square metre expansion of new terminal space.

Upgraded departure area seating for up to 100 passengers, large passenger screening and security area, additional amenities for air travelers.

Full service kitchen facility available.

Office space for additional airlines and Airport administration.

Did You Know?

Medicine Hat

Regional Airport

served 36,223

passengers

through scheduled

service in 2015.

## **Infrastructure & Amenities**



Residential Land Use Bylaw No. 4168

Worked collaboratively with industry and City Council to update the residential sections of the Residential Land Use Bylaw.

- Consolidation of development regulations affecting residential districts were moved for ease of reference
- Adjustment to rules of home occupations, secondary suites and backyard suites
- Allowance for compatible manufactured, modular, or pre-fabricated houses.
- Clarification on infill development requirements



River Heights Storm Main Replacement

\$2.1 million replacement and re-alignment of a major storm trunk through River Heights area.

Reduce pipe depth and construction cost by relocating new storm main to the east. This also provided better separation from a high pressure water main and overall more efficient operation of the storm system.

New storm outfall with energy dissipation to reduce erosion and sediment from entering the river, promoting a cleaner environment.

Replaced approximately 600 metres of pipe.



**Box Springs Road Upgrade** 

Upgrade worth \$4.1 million required to cater for current traffic and traffic generated by developments (ie. Canalta Centre).

Improved the intersection capacity by adding dedicated turning lanes at two intersections (23 Street NW/Box Springs Road & Box Springs Link/Box Springs Road).

Box Springs Road capacity also increased by adding lanes from Box Springs Boulevard to Box Springs Link.

The intersections at 23 Street NW / Box Springs Road and Saamis Drive / Box Springs Road were signalized to allow efficient and safe traffic movement.



Road Rehabilitation

8.8 km of roadway was rehabilitated or overlaid to improve the levels of service and extend the life of the roads, including:

- · 3rd Street SW
- · Maple Avenue SE
- · Cuyler Road SE

In total, over 3.7 km of arterial, 600 m of collector and three km of residential road surfaces were overlaid at a cost of \$2.2 million.

The Stratton Way SE and Saunders Crescent SE road rehabilitation project, worth about \$1.8 million, resulted in approximately 1.5 km of upgraded road and sidewalk.

The road rehabilitation and overlay programs provide improved levels of service with respect to public safety and quality of life, while contributing to overall economic growth of the community.

Did You Know?
The City's water treatment plant treated 15.3 billion litres of water in 2015.

## We have high quality, sustainable infrastructure and amenities, and a reputation for excellent management and maintenance.



Electric Tie to the Grid

Public consultation process completed for new intertie substation MHS-7 in November.

Applications for new intertie substations MHS-7 (Medicine Hat) and 321S (AltaLink) submitted to AUC in December.

Negotiations in progress with AltaLink for purchase of transmission line connecting substation MHS-7 to Power Plant.

Total budget is \$12 million.

Detailed design work has commenced. Major equipment procurement in progress.



Flood Mitigation

Executed \$18 million in flood protectection measures.

Harlow Phase 1, Lions Park, and River Road Overland Flow Protection Projects, including three kilometres of earthen berm between two and five metres high and five demountable flood walls.

Protection for nearly 1,100 properties including City Hall, Provincial Law Court Building, and the Court of Queen's Bench to a level one metre above a 100 year flow event.

Incorporated 3,700 metres of multi-use trails.



Natural Gas &
Petroleum Resources

Operate and maintain wells, pipelines, and facilities safely with respect for the environment and surrounding community.

Zero high-risk regulatory incidents as assessed by provincial regulatory bodies.

Provided line finding services for Alberta One Call and Saskatchewan 1st Call to help ensure urban development is conducted safely away from natural gas gathering and transmission lines



**Pedestrian Improvements** 

Completed \$1.6 million in improvements.

- 98 wheelchair ramps installed or upgraded.
- Over 1,680 tripping hazards eliminated in the SE/SW Hill, Riverside, and South Flats areas.
- 300 metres of new sidewalk installed on 7th Street SW, west of Medicine Hat High School.
- 175 metres of new recycled rubber sidewalk installed on 8th Street SW near Connaught School.



## **Social Wellness**



Affordable Housing Unit
Opening

\$2 million partnership with the Province:

- 16 new units of affordable rental housing, in addition to the 16 units opened in 2013, in a two storey building that is LEED registered
- Four units have barrier free status and four constructed to a barrier free 'adaptable' status

Official ribbon cutting ceremony held August 26, 2015.



Review of Regular Transit Services

Review of existing service delivery model for regular transit undertaken to determine effectiveness of long range transit plan and evaluate options for serving unmet demand in the city.

New Route 12 service provides a direct north-south routing from far southeast to northwest, providing riders an easy and affordable way to travel across the city.

Route 12 includes expanded service to Brier Park Industrial, Box Springs Business Park, Saamis Drive NW and the west end of Third Street North.



Fire Station #2 Relocation Project

Fire Station 2 is being relocated to improve Fire Service response coverage within the City while maintaining staffing levels at current level.

Construction of \$9.5 million facility started at 1303 Trans Canada Way SE in September of 2015 and will be complete January of 2017.

The 19,795 sq. ft. building will house Fire Service headquarters, the Fire Prevention Branch, and the Fire Training Branch.

Three storey training tower, class room/meeting room, administrative offices, apparatus bays for eight trucks, and living quarters for fire crews.



Esplanade @ Ten

In October, more than 3,500 people marked the Esplanade's 10th Anniversary.

Esplanade @ Ten showcased the facility's impact on the community over the past 10 years:

- 750,000 visitors to the Esplanade
- Over 1 million photographs in the Archives collection
- 900,000 visitors to travelling art exhibitions in Southeastern Alberta
- 58,000 hours of volunteer
- 11,000 works of art exhibited
- 30,000 students participating in school trips
- Over 26,000 artifacts and artworks in the Permanent Collection



2015 Annual Report 18 City of Medicine Hat

# Medicine Hat is a safe community that welcomes diversity and supports all citizens with high quality and accessible cultural, recreational and public services.



Integration of Compressed Natural Gas (CNG) Vehicles in to the City's Fleet

Following construction of a CNG fueling station, various building upgrades, vehicle purchases, and the specialized training of operators and mechanics, operations commenced January 2015.

CNG building upgrades were done to the Solid Waste storage garage, the Transit storage garage and the Fleet Services maintenance garage.

CNG vehicles are quieter and emit fewer emissions than their diesel alternatives positively contributing to the environment and community areas they operate within.

The current CNG fleet consists of eight buses and 13 garbage trucks. By 2017, two garbage trucks will be added.



June Wind Storm Response

June 12 wind storm plowed through the city taking out the power in multiple neighbourhoods and inflicting major infrastructure and tree damage.

Approximately 8,600 electric customers were affected, with all but 120 customers restored within eight hours.

Over one third of the City's 30,000 public trees received significant damage ranging from branch loss to removal, including 60 trees in Echo Dale Regional Park which required removal.

Direct recovery costs to the City were in excess of \$600,000.



Canalta Centre

Substantial construction completion in July; \$74.9 million multi-purpose spectator facility; 198,000 ftz operated by partner SMG.

Spectator capacity 6200 for hockey, 7000 for concerts.

State of the art video production capabilities including retractable, digital scoreboard and LED ribbon boards.

SMG secured Canalta naming rights partner and various other sponsorship partners.

Community Grand Opening held on August 22.



Celebration Hill/ Southlands 6

Interesting and inviting area for community gathering and events.

Features include a meandering creek, pond, open playfield and play equipment.

Plants and grasses selected for drought tolerance.

Full trail access from Southlands to Saamis Heights to Kin Coulee and beyond on the Heritage Trail System.

Did You Know?
In 2015, the
Box Springs Wind Farm
generated 14,513 MWh
of electricity - enough
for more than
2,000 homes.

## **Image & Profile**

## We promote our distinctive community and excellent quality of life to our residents and the world.



## Sunshine State of Mind – Medicine Hat Story

Developed to attract new visitors, business/investment and residents.

Describes Medicine Hat as "a warm, vibrant, feel-good city, with the attitude and natural backdrop to match." Features community's beautiful, natural environment; safe, affordable, quality amenities; friendly, caring residents; warm climate with lots of sunshine; emerging and growing creative culture.

Launched with collaborative video featuring City and tourism industry stakeholders.

Brand identity includes Sunshine State of Mind logo used in merchandise and marketing material.

Did You Know?

City of

Medicine Hat's

public website

averages over

2,900 visitors

per day.



My #MedHat Is ...

City Council and the Destination Marketing Organization asked visitors to share their definition of "My #medhat is", capturing in a few simple words what Medicine Hat means to them at the Spring Home & Garden Tradeshow.

Conducted to promote community pride and create content for future marketing initiatives.

Responses included common themes of: sunshine, river valley, employment, culture, friendly people, and local culture and events.

The photos were liked/favourited and shared/retweeted by hundreds of online users, making it one of the City's most popular social media activities of 2015.



## Destination Marketing Organization

The City engaged the Medicine Hat Destination Marketing Organization (DMO) following a request for proposals in late 2014. The contract includes:

- Lease and operation of the tourism centre
- Develop and execute a strategic marketing plan, materials and website
- Leverage and support the tourism industry locally, regionally and provincially
- Market and promote the city as a tourism destination
- Leveraged marketing initiatives included:
  - o Jazzfest
  - o Downtown Chalk Art Festival
  - o South East Alberta Cache Hunters (geocaching)
  - o Medicine Hat Dining Guide
  - o Bus Tours



**Getting the Word Out** 

City of Medicine Hat featured in publications and events provincially, nationally and internationally.

- Presented at conferences hosted by Canadian Natural Gas Vehicle Alliance and College and Institutes Canada (Energy Symposium)
- Featured in Venture, Inside Motorcyles and Award (architecture) magazines
- Topics included alternative energy projects, downtown revitalization, capital projects and homelessness

Welcomed visitors and new residents.

- Toured physician recruits, politicians, academics, non-profit leaders, business owners and entrepreneurs
- Showcased solar thermal plant, wind turbines and cultural and historic sites
- Sponsored events, including Medicine Hat JazzFest, Spectrum, Canada Day, and the Alberta Chamber of Commerce Provincial Conference

# Responsible financial management focused on the long term ensures a sustainable City.

# Financially for the Future

#### Financially Fit for the Future

Owning extensive natural gas reserves has meant top-notch municipal services and the lowest property taxes and utilities in the province.

Due to falling commodity prices, the City is facing a \$23 million shortfall in annual municipal services subsidy to the City's operating budget, and this shortfall is likely to continue for many years.

Financially Fit for the Future is a framework launched to facilitate community engagement, honest debate and tough choices around solving today's financial challenges. The goal is to position the City to be sustainable over the long term for our children and grandchildren.



## Automated Meter Initiative (AMI)

Combined Utilities exchanges of 81,000 meters improved accuracy and efficiency of commodity billing.

- Reduced manual meter reading costs
- Fewer meter repairs and customer site visits
- Improved meter accuracy and reduced distribution losses
- Avoided meter replacement costs

The business case analysis determined an operational savings of \$2.71 million in 2014 with similar results expected in 2015.

Project impacted the environment by reducing carbon dioxide emissions and workers compensation claims.

## Fiscal Management



## Natural Gas & Petroleum Resources

Abandoned 385 uneconomic natural gas wells in 2015. Anticipated resulting operating cost savings of \$1.4 million per year in 2016 growing to \$3.0 million in 3 years as site reclamation is completed.

Transfer of assets from Allied Oil & Gas (a City wholly owned subsidiary) to the City of Medicine Hat that will result in synergies primarily through the reduction in duplicate work and reporting for two organization versus one.



## Development Security Review

Worked collaboratively with industry and City Council to establish higher development amounts via Letter of Credit or Subdivision Bond. This will help ensure that servicing work is completed with less financial exposure to the tax base

## Did You Know?

The City responded to 6,199 locate requests through Alberta One-Call in 2015. It's free to request locates – Call/Click Before You Dig!

## **City Government**





**Incident Management Process** 

guidance

and

175

trend

developed

being

staff;

staff

reporting types of incidents,

and how to conduct an

analyses conducted across

the corporation to make

systematic improvements to

our health & safety systems.

course

completed training in 2015.

in-house

**Provides** 

investigation.

Data review

An

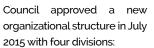
training

delivered

approximately



**Single Reporting Point to** Council



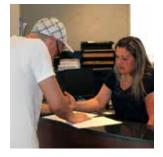
- · Corporate Services
- · Development and Infrastructure
- · Public Services
- Utilities

Natural Gas and Petroleum Resources was moved to report directly to the Chief Administrative Officer.

All dividend paying Utilities are now in one division with similar objectives.



**Risk Management** Framework



Corporate Values

Created to identify, assess, and mitigate risks to the City from a Health & Safety perspective.

Prioritization of initiatives to reduce the overall risk to the City; resources are assigned to mitigation projects based on the highest perceived risk.

Some of the key identified

- · Ergonomic design of buildings and spaces (confined and/or restricted spaces)
- Training and competency standards for employees and supervisors
- · Employee mental health

Based on employee input, the City developed five core values:

- · Respect
- Integrity
- Accountability
- Courage
- Caring

A description of values and associated behaviours was introduced.

A Values booklet and pocket card were developed and distributed across the organization.

New Employee Orientation, performance planning tools, project planning, and annual employee engagement survey were revised to consider and reflect these values.

Did You Know? 51% of City utility bills are paid by internet banking,



## Treasurer's Report

The purpose of the Financial Report is to present readers with clear insight of the financial results for the City for the fiscal year ended December 31, 2015.

Iampleased to submit the City of Medicine Hat Consolidated Financial Statements for the fiscal year ended December 31, 2015. Most of the information in this report is drawn from the financial information appearing in the 2015 City of Medicine Hat Consolidated Financial Report, a more detailed and complete financial presentation prepared in conformance with Public Sector Accounting Standards (PSAS) and 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 <a href="https://www.medicinehat.ca/reports">www.medicinehat.ca/reports</a>.

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, 2014, the thirteenth 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.



Did You Know?
Customer Service
and Collections
Department
provided assistance
to over 68,000
customers in 2015

Brian Mastel, Corporate Services Commissioner April 21, 2016

XHI

# Management Reporting & Control

The following sections deal with the planning, reporting and audit process.

#### 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 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.

## Financial Highlights

The financial data included 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 and Land and Property department. The lower commodity prices have also resulted in a further impairment being recognized for some of the City's natural gas and oil assets.

The Public Sector Accounting Standards (PSAS) is silent on the treatment of resource properties. In order to better reflect the operations of the oil and gas properties and to provide more financial transparency, the City uses International Financial Reporting Standards (IFRS) to account for its oil and gas assets.

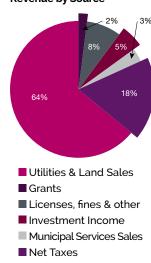
## Financial Highlights

#### Revenue

Revenue before capital contributions and grants was \$329.4 million versus budget of \$341.2 million. Sale of services was \$21.4 million lower than budget mainly due to lower gas and oil commodity prices and lower lot sales in Land and Properties. Gas revenues were \$14.0 million lower than budget primarily due to prices at \$3.20 per gigajoule versus budget at \$3.73 per gigajoule. Land and Properties lot sales were 43 lots versus 90 budgeted.

2015 revenues were lower than 2014 actual revenues mainly due to lower gas, oil and electric commodity prices and lower lot sales in Land and Properties.

## Consolidated Operating Revenue by Source

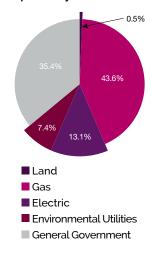


#### **Expenses**

Overall the City operating expenses for the year were \$44.1 million higher than budget mainly due to recognition of an asset valuation impairment natural gas and oil reserves. Lower natural gas and oil prices and higher than expected abandonment and reclamation costs have resulted in an impairment being recognized for some of the City's natural gas and oil assets.

2015 expenses are lower than 2014 actual expenses by \$1.7 million mainly due to lower electric expenses as a result of lower gas prices in 2015.

## Consolidated Operating Expenses by Division



#### **Expenses by Type**

The Consolidated Expenses by Object Schedule details 2015 actual (\$403.2 million) and budgeted (\$359.1 million) expenses by type. The chart below excludes amortization, impairments, and disposal expenses.

Other operating expenses are higher mainly due to increased abandonment costs. Contracted services, materials and supplies are all lower as a result of economic downturn reduced activity as well as decreased gas and oil commodity prices. Salaries and benefits are lower due to staff vacancies.

The 2015 actual expenses by type are lower than 2014 due to the economic downturn and lower gas and oil commodity prices. Salaries and benefits are higher mainly due to union contract settlements.



- Other Operating (incl interest)
- Contracted Services
- Materials and Supplies
- Salaries and Benefits

#### 2015 Capital

Capital expenditures for the year were \$188.9 million plus contributions from developers of \$0.37 million. While the City's approved 2015 budget for capital was \$173.4 million, the current expenditures include \$137.6 million for projects carried forward from previous budget years.

The 2015 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 loan.

## **Accumulated Surplus**

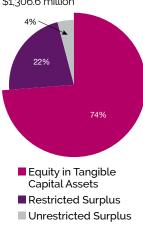
The accumulated surplus on the consolidated Statement of Operations represents the total change in all fund and equity balances for the City of Medicine Hat. During 2015 the consolidated fund and equity balances decreased by \$34.2 million to \$1,306.6 million.

\$48.8 million the of accumulated surplus unrestricted. This is used as working capital to fund dayto-day operating activities of the City. \$289.5 million is restricted and is largely dedicated to capital activities of the organization.

Equity in the City's tangible capital assets increased by \$45.1 million to \$968.3 million this year as a result of an increase in City assets, offset by accumulated amortization and debt.

## **Accumulated Surplus 2015**

\$1,306.6 million

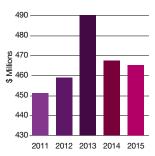


## Investments

Investments. Loans and Advances decreased \$1.6 million from 2014 to \$457.4 million due to decreased cash flow largely as a result of the funds being used for community projects such as flood mitigation and berms, the Canalta Center and the Family Leisure Center.

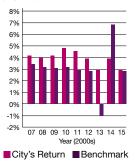
#### Investment Portfolio

Market Value



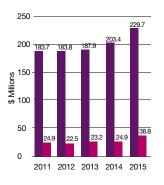
#### Rate of Return

The City of Medicine Hat's investment return for the year ended December 31, 2015 averaged 2.77 per cent, higher than the DEX (formerly ScotiaMcLeod) Universe Bond benchmark index of 2.74 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.



#### **Long-Term Debt**

During 2015, total Long Term Debt increased \$40.2 million to \$268.5 million as a result of new borrowings exceeding repayments. Total debt principal repayments were \$21.0 million and new debt was \$61.2 million. New debt represents \$24.9 million for improvements to Environmental Utility assets, \$17.9 million relate to Electric's assets, \$2.0 million for the Gas Utility, and \$16.4 million for municipal infrastructure.



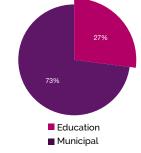
The Minister of Municipal Affairs prescribed total debt and debt servicing limits for municipalities in the province. The debt limit is defined as two times revenue net of capital government transfers, and debt servicing limit is not to exceed 35 per cent of revenue. For purposes of these calculations included in the actual debt (long and short term) are loan guarantees in the amount of \$2.6 million

City Debt Levels	2015	
Total Debt Limit	\$ 671.3	
Loan Guarantees	2.6	
Actual Debt	268.5	
Amount Under Limit	\$ 400.2	60%
Debt Servicing Limit	\$ 117.4	
Actual Debt Servicing	33.0	
Amount Under Limit	\$ 84.4	72%

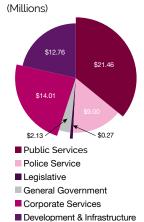
### Use of Municipal Tax Revenue (in thousands of dollars)

Property taxes contributed \$59.6 million (41.6%) of the consolidated General Fund operating expenses of \$143.1 million. Other revenue sources include investment interest, sales, government grants, fees and permits.

## 2015 Property Tax Dollars Allocation



## Use of Municipal Tax Revenue

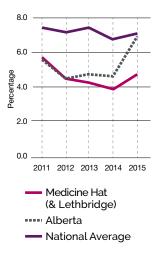


2015 Annual Report

## **Economic Indicators**

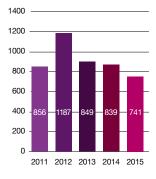
#### **Economic Indicators**

The unemployment rate in Medicine Hat and Lethbridge at the end of 2015 was 5.7%, while the 2015 average was 4.8%. The average Alberta unemployment for 2015 was 7.0% compared to 7.1% 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 2015.



#### Gas

The decrease in the natural gas price in 2015 was mainly due to more gas being produced in the United States (approximately 4 bcf/day more than 2014), creating excess supply of gas in the market as well as less demand for gas due to warmer weather in the last quarter of 2015.

2015 gas production for the City of Medicine Hat was 17,164,640 cubic feet therefore a \$1 change in the commodity price would affect revenue by \$17,164,640 annually.

## Natural Gas Historical Market Commodity Price



Source: GIJ Petroleum Consultants Ltd. (AECO Spot - Price forecast effective January 1, 2016)

#### Oil

The decrease in oil prices in 2015 was due to supply exceeding demand globally.

2015 oil production for the City of Medicine Hat was 378,608 barrels therefore a \$1 change in the commodity price would affect revenue by \$378,608 annually.

## Crude Oil Historical Market Commodity Price



Source: GIJ Petroleum Consultants Ltd. (WCS at Hardisty- Price forecast effective January 1, 2016)

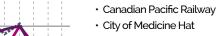
## **Demographics**

## **Medicine Hat Population**

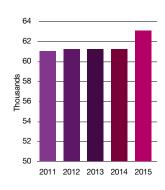
## Age Distribution

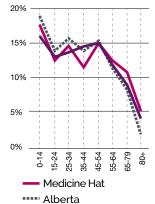
## **Principal Employers**

CF Industries



- Medicine Hat Catholic
   Board of Education
- · Medicine Hat Co-op
- Medicine Hat Regional Hospital
- Medicine Hat School District
- · Province of Alberta
- The Real Canadian
   Superstore
- Wal-Mart





National Average

City of Medicine Hat Full-Time Equivalent Employees

	2011	2012	2013	2014	2015
	Restated	Restated	Restated	Restated	
Legislative	5.5	5.5	5.0	1.0	1.0
General Government	40.0	40.0	40.0	57.2	35.1
Corporate Services	139.5	142.5	137.1	139.1	166.1
Public Services	342.6	343.6	344.1	340.6	338.7
Police Services	156.5	157.0	157.0	157.0	153.5
Development & Infrastructure	96.1	94.9	96.7	97.1	98.6
Total	780.2	783.5	779.9	792.0	793.0
Gas Utility	153.0	151.0	156.0	155.0	146.0
Electric Utility (includes Energy Sustainability)	109.8	117.7	117.7	123.7	127.3
Water Utility	39.3	40.8	41.3	41.3	42.3
Sewer Utility	39.2	39.7	40.2	40.2	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	380.7	388.6	394.6	399.6	396.2
Total Full Time Equivalent	1,160.9	1,172.1	1,174.5	1,191.6	1,189.2

## **Consolidated Statements**



### Consolidated Statement of Financial Position (unaudited)

For the year ending December 31, 2015 (in thousands of dollars).

Financial Assets
Liabilities
Net financial (debt) assets
Non-financial assets
Tangible capital assets

Accumulated surplus

2015	2014	2013
\$ 555,005	\$ 610,058	\$ 632,274
620,195	526,228	508,656
(65,190)	83,830	123,618
135,099	105,474	101,474
1,236,755	1,151,530	1,085,295
\$ 1,306,664	\$ 1,340,834	\$ 1,310,387

Did You Know?
Net financial assets
are 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 Operations (unaudited)

For the year ending December 31, 2015 (in thousands of dollars).

	2015 Budget	2015	2014	2013
Revenue	\$ 341,222	\$ 329,391	\$ 403,127	\$ 416,151
Expenses	359,109	403,199	404,856	425,515
Deficiency of revenue over expenses before other revenue	(17,887)	(73,808)	(1,729)	(9,364)
Other revenue				
Capital contributions and grants	19,775	39,638	32,176	37,667
Annual (deficit) surplus	1,888	(34,170)	30,447	28,303
Accumulated Surplus (beginning of year)	1,340,834	1,340,834	1,310,387	1,282,084
Accumulated Surplus (end of year)	\$ 1,342,722	\$ 1,306,664	\$ 1,340,834	\$ 1,310,387

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
the municipality hat can
net resources that can
be used to provide
future services.



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

For the year ending December 31, 2015 (in thousands of dollars).

	2015 Budget	2015	2014	2013
Annual (deficit) surplus	\$ 1,888	\$ (34,170)	\$ 30,447	\$ 28,303
Increase in tangible capital assets	(145,063)	(238,231)	(167,931)	(124,415)
Amortization/Disposal of tangible capital assets	62,223	123,395	94,977	126,865
	(80,952)	(149,006)	(42,507)	30,753
Acquisition/Consumption of inventories and supplies	-	(444)	(129)	857
Net transfers (acquisition) of land held for future development	(3,641)	(33)	3,267	(2,703)
Acquisition/Consumption of prepaid assets	-	463	(419)	(267)
	(3,641)	(14)	2,719	(2,113)
Increase (decrease) in net financial assets	(84,593)	(149,020)	(39,788)	28,640
Net financial assets, beginning of year	83,830	83,830	123,618	94,978
Net financial (debt) assets, end of year	\$ (763)	\$ (65,190)	\$ 83,830	\$ 123,618

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 ending December 31, 2015 (in thousands of dollars).

### Net inflow (outflow) of cash related to the following activities:

#### Operating

Annual (deficit) surplus

Non-cash items included in annual surplus

Non-cash items relating to capital and investing activities

Non-cash changes to operations (net change)

Cash provided by operating transactions

Cash applied to capital transactions

Cash provided by (applied to) investing transactions

Cash provided by (applied to) financing transactions

Change in cash and equivalents during the year

Cash and cash equivalents, beginning of year

Cash and cash equivalents, end of year

Cash and cash equivalents consist of the following:

Cash

Less: restricted portion of cash and temporary investments

Total

2013	2014	2015
\$ 28,303	\$ 30,447	\$ (34,170)
120,325	89,954	116,930
-	-	856
26,138	(521)	65,150
174,766	119,880	148,766
(122,847)	(166,391)	(209,923)
(43,709)	36,714	4,812
4,875	17,140	40,191
13,085	7,343	(16,154)
347	13,432	20,775
\$ 13,432	\$ 20,775	\$ 4,621
\$65,050	\$59,753	\$40,366
(51,618)	(38,978)	(35,745)
\$ 13,432	\$ 20,775	\$ 4,621

Did You Know?

Annual surplus is the
excess of revenues over
expenses. Annual deficit
is when expenses exceed
the revenues.

The annual surplus or deficit shows whether the revenues raised in the year were sufficient

