

2018

City of
Medicine Hat

2018 Annual Report

Medicine Hat, AB • December 31, 2018



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GOVERNANCE

Corporate
Governance

Mayor's Message

establish the largest cryptocurrency mine in Canada, resulting in approximately forty full-time jobs and ongoing utility revenue for the community.

Just one month later, Aurora Inc. announced its intentions to build the world's largest cannabis production facility in our City. Scheduled to open in 2019, the operation will employ over 400 people, with an estimated annual GDP of \$20 million.

And while large announcements like these take up the spotlight, we can't overlook the many enterprises that joined our community in 2018. Hotels, restaurants, retail establishments, and other commercial developments continue to open throughout the city, as well as a thriving craft brewery industry, a craft distillery, and a vibrant downtown. Medicine Hat is growing its profile as a tourism destination for fine food and drink experiences as well as cultural and recreational opportunities.

The year also brought a significant change in leadership for the City, and I would be remiss if I didn't take a moment to recognize the contributions of CAO Merete Heggelund, who retired in October. Merete was a tremendous leader during her time with the City and was integral in setting the stage for our recent successes in economic development, in addition to countless other accomplishments. Thank

you Merete – we wish you all the best in your retirement.

We welcomed our new CAO, Robert Nicolay, in October. Bob returned to Medicine Hat after more than 20 years away and brings a wealth of knowledge and experience from both the private sector and municipal government. We look forward to working with him on the growth and development of our beautiful community.

I encourage you to read on and learn more about the progress made in 2018.

Economic development made the most headlines for the City of Medicine Hat during 2018, with a number of exciting announcements and an abundance of small business development in the City.

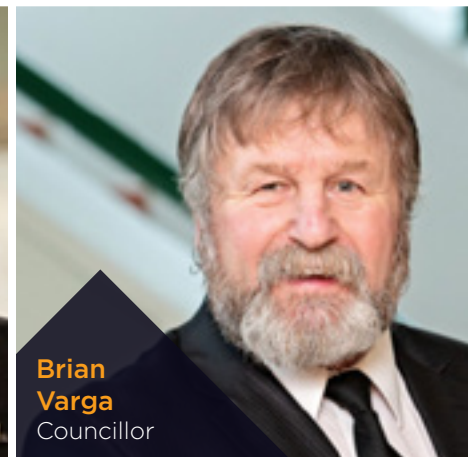
After completing a series of large capital projects over the past few years, including two new fire stations, the Canalta Centre, the Family Leisure Centre expansion, and the new Veiner Centre, we shifted our focus to setting the stage for economic vitality, and supporting the private sector and their investments in the community.

The past year was one of significant growth. In March, Hut 8 announced a \$100 million investment to

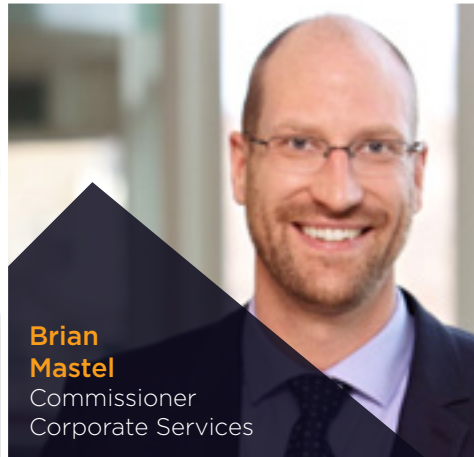


Ted Clugston
Mayor
April 17, 2019





Administrative **Committee**



CAO's Message

A discussion of 2018 would be categorically incomplete without formal acknowledgement of recently retired CAO Merete Heggelund who led the organization for most of the year. When I arrived at the City in October of 2018, I encountered an extraordinary organization with engaged staff and top-notch leaders and I attribute this to Merete's leadership, wisdom, and acumen. Thank you Merete for all you did for the City of Medicine Hat.

I spent many years with the City of Medicine Hat earlier in my career and it's great to be back after more than twenty years away. While the organization has grown and the community has evolved, I am pleased to say it still feels like home.

I can recall when the City planted trees along Dunmore Road and around the ball diamonds near the Visitor Information Centre, and thinking that it would be a lifetime before they were grown. Today they are fully matured and form part of the outstanding urban forest that helps to define the images of Medicine Hat.

Medicine Hat still has the warm and friendly vibe that it always did and while we are more urban than in the past, we have maintained a beautiful small city character and charm. The 'Medicine Hat Advantage' still lives here in the city where it continues to manifest in extraordinary public parks and facilities and some of the lowest taxes and utility costs anywhere in the country.

Like any community, we also have challenges. We continue to experience declining dividends from our energy assets due to low commodity prices, but our commitment to Financially Fit for the Future is a good illustration of how we are working diligently to identify savings and

increase revenues with the needs of the community in mind. In addition, Medicine Hat continues to enjoy an innovative, growing economy thanks to our focused and relentless economic development and investment attraction and retention efforts.

These are exciting times for Medicine Hat and I am honoured to be a part of the community's future once again.



Robert Nicolay

Chief Administrative Officer
April 17, 2019



Boards & Commissions

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

Transit Advisory Committee
Urban Environment & Recreation Advisory Board
Youth Advisory Board
Assessment Review & Appeal Boards
Composite Assessment Review Board

Local Assessment Review Board
Subdivision & Development Appeal Board
Combative Sports Commission

City Committees

Administrative & Legislative Review

Councillor D. Hirsch, Chair
Councillor J. Friesen, Vice Chair
Councillor R. Dumanowski

Audit

Councillor D. Hirsch, Chair
Councillor P. Turnbull, Vice Chair
Councillor J. McIntosh

Corporate Services

Councillor R. Dumanowski, Chair
Councillor D. Hirsch, Vice Chair
Councillor B. Varga

Development & Infrastructure

Councillor R. Dumanowski, Chair
Councillor J. Turner, Vice Chair
Councillor J. McIntosh

Energy & Utilities

Councillor P. Turnbull, Chair
Councillor J. McIntosh, Vice-Chair
Councillor J. Turner

Heritage Resources

Councillor J. McIntosh

Public Services

Councillor J. Friesen, Chair
Councillor J. Turner, Vice Chair
Councillor K. Samraj

Council Appointments

Canadian Badlands Ltd.

Councillor P. Turnbull
Councillor B. Varga
S. Blyth, Business Support Officer

Chamber of Commerce

Councillor J. Turner

City Centre Development Agency

Councillor K. Samraj

Cypress View Foundation

Councillor J. Friesen
Councillor J. Turner

Friends of Medalta Society

Councillor J. McIntosh

Medicine Hat Community Housing Society

Councillor K. Samraj

Medicine Hat Exhibition & Stampede

Councillor J. Turner

Medicine Hat Public Library

Councillor P. Turnbull

Municipal Names Committee

Councillor J. McIntosh

Municipal Planning Commission

Councillor B. Varga, Chair
Councillor D. Hirsch

Palliser Economic Partnership

Councillor J. Turner
S. Blyth, Business Support Officer

Police Commission

Councillor J. Friesen
Councillor R. Dumanowski

Shortgrass Library System

Councillor P. Turnbull

Subdivision & Development Appeal Board

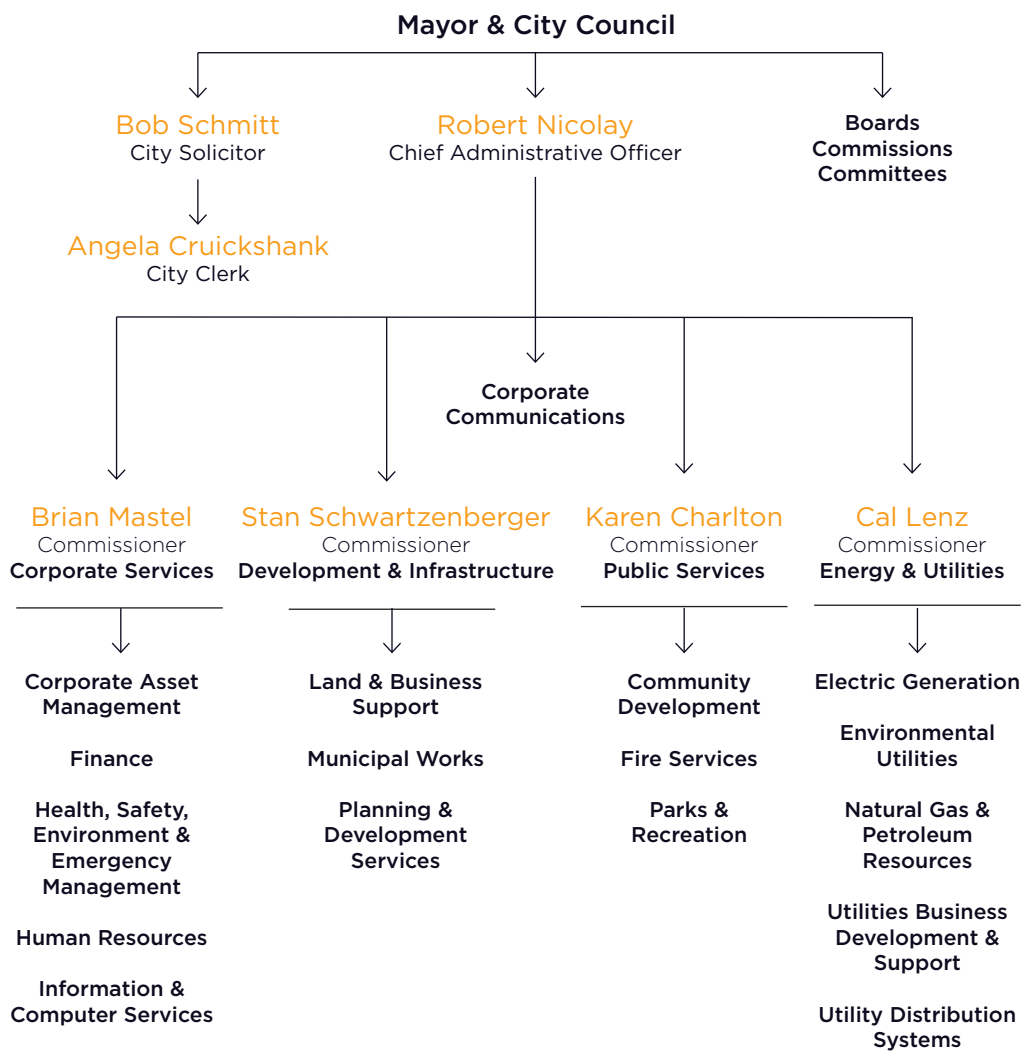
Councillor J. McIntosh
Councillor J. Turner

Tourism Medicine Hat Committee

Councillor B. Varga



Organizational Structure







PRIORITIES

Council's Strategic
Priorities

Fiscal Responsibility



► Award-Winning Financial Reporting

The City was recognized by the Government Financial Officers Association for high quality financial reports. The City has received this award for the past sixteen years.

The City's financial reporting continues to meet the high standards of the program demonstrating a spirit of full disclosure by clearly communicating the municipality's financial story and seeking to motivate potential users to read the report.

In addition, the City's Annual Report 2017 was recognized as being accessible and understandable to the general public and those without a financial background.

Reporting back to the community on direction and progress remains an important focus for the organization.

Past reports can be viewed on the City website.



► Natural Gas & Petroleum Resources (NGPR) Core Assets

Seven wells were drilled continuing development in the Glauc C oil pool. Results are pending.

Shut-in commenced of the Atlee Buffalo natural gas field. Prior to shut-in of this uneconomic field, a technical review was conducted.

Temporary shut-ins of Cousins #103, Dauntless, and MH East stations were completed due to low gas prices.

The Emergency Response Plan was safely executed when confronted with a compressor fire in the Northeast field.

NGPR's operations and capital expenditures are 100% internally funded through depletion reserve and unappropriated surplus.



► Financially Fit Update

To reduce reliance on profits from unpredictable and often volatile city-owned energy businesses that contributed \$23 million annually towards the municipal operating budget, the City initiated Financially Fit for the Future (FFF).

FFF is a long-term plan to move towards financial sustainability. This framework provides a tool for the City to systematically and responsibly review and plan for the City's financial future. As a result of this initiative, the City achieved a \$7 million reduction in the annual shortfall over the 2017-2018 budget period through a combination of cost containment, service level

adjustments and increases to fees and taxes.

City Council approved a plan to further reduce the annual shortfall by \$9 million during the 2019-2022 budget period. This will require the attention, commitment and cooperation of many stakeholders and the community.



▶ **Electric Generation (GENCO) Profitability**

The City's Electric Generation (GENCO) department benefitted from positive market conditions that resulted in an additional \$25 million over budget in revenue, boosting its dividend payable to the City to nearly \$35 million.

Reduced fuel costs, buoyant electricity prices and the addition of a large power contract were key reasons for the increase.

Loss of two engines within one month of each other and quick repair turnaround reduced a potential outage period of one hundred days down to eleven days. This operating efficiency allowed GENCO to continue its power optimization and trading activity with minimal interruption.

▶ **Multiyear Budget & Business Planning**

A multiyear planning process provides more certainty to residents about City programs and services, finances, and tax levels. The City has prepared a four-year business plan and accompanying budgets for 2019-2022.

City Council prepared its 2019-2022 Strategic Plan to focus on six strategic priorities, based on the City's long-term vision to be a "Community of Choice."

The multiyear business plan outlines the strategic objectives and action plans to pursue City Council's strategic plan, and identifies resources and funding to deliver programs and services to the community.

It also highlights information about future financial capacity and infrastructure conditions so that thoughtful, risk-balanced, sustainable strategies can be developed.

The 2019-2022 Business Plan and operating and capital budgets were approved by City Council in December 2018 and are available for viewing on the City website.

Economic Vitality



► Cannabis Production & Distribution Facility (Aurora Sun)

The City of Medicine Hat optimized productivity to support the Cannabis industry's investment in the community.

Staff provided excellent service by efficiently reviewing and approving 552 Development and 840 Building Permits. They also fast-tracked the Land Use Re-zoning to accommodate the developer's requirements, and worked with multiple developers and owners to achieve common goals.

► Downtown Development Incentive Program (DDIP)

The overall goal of the DDIP program is to incentivize development for the revitalization and expansion of the city centre.

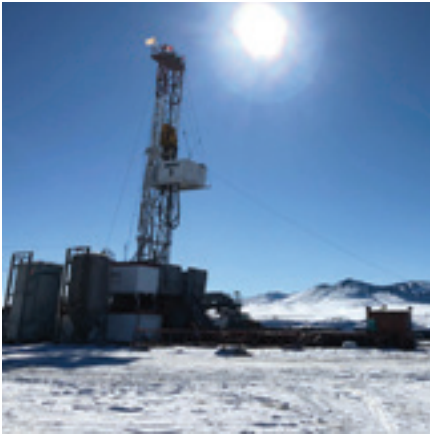
The program creates a benefit to downtown property owners and helps to grow this important assessment base for the City. Between 2011 and 2018, 165 grants were approved and 154 properties received assistance.

Each year, the grant applications received exceed the program budget allocations. Since program inception, the city center has realized noticeable progress in the revitalization and expansion of downtown properties.

The positive impacts also spurred the creation of an independent film, "On 2nd Street" by Luke Fandrich (www.fandrix.com).

The total investment in 2018 was \$200 thousand.





▶ **Natural Gas & Petroleum Resources (NGPR) Growth Strategy**

From 2017-2019, NGPR is investing up to \$45 million in exploration and drilling to evaluate deeper conventional oil and helium potential. This work enables the City to better understand the economic potential that may lie beneath historic gas producing fields.

- 2017: Drilled 15 wells targetting different opportunities
- 2018: 32,000 man hours were spent on exploration and evaluation of opportunities
- 2019: A report on the growth strategy and the future of NGPR will be completed

▶ **WestJet Air Service**

WestJet Airlines commenced scheduled service in June 2018 with three daily flights to Calgary using a 34 seat Saab 340 aircraft.

In 2018 there were 48,200 total Medicine Hat passenger movements on Air Canada and WestJet, with seven daily flights between Medicine Hat and Calgary, providing connections to the world.

Medicine Hat Regional Airport saw 23,000 takeoffs and landings in 2018, despite being closed 24 days in May for reconstruction of the main runway.



Infrastructure Renewal



The City's 30-year asset management strategy involves the systematic inspection, prioritization, rehabilitation and renewal of the City's transportation (roads, bridges, sidewalks and street lights) and storm water management infrastructure. Appropriate measures including preventative maintenance, rehabilitation or renewal techniques are used to ensure infrastructure meets established service levels and extends the service life in a cost effective manner.

2018 Inspections

- full inspections of Maple Avenue and Finlay Bridges
- 6,800 linear metres of storm sewer CCTV'd

- 310 manholes and catch basins inspected
- 1/3 of the City's road network was inspected

2018 Storm Water System

- 230 linear metres storm leads replaced
- 20 catch basins replaced
- over 6,000 metres of storm lines cleaned/flushed
- 500 linear metres of storm pipes replaced (135 metres Riverside, 355 metres River Heights)

2018 Transportation Network

- 3.6 km overlays completed for \$1.3 million (Trans Canada Way, Cameron Road, Box Springs Road and Old Cemetery Road)

- \$1.3 million concrete and storm repairs completed with the overlay program
- \$735 thousand roads rehabilitated (Balmoral Street SE, Sage Road SE and Woodman Avenue SE)
- 28,500 linear metres of crack sealant applied (Crescent Heights and Brier Park areas, 13 Avenue SE, Trans Canada Way SE and Bullivant Crescent SW)
- 5,560 linear metres sidewalk repaired, 80 wheelchair ramps upgraded/installed and 500 linear metres of new sidewalk installed at 19 Avenue SW and Hargrave Way NW
- repairs and maintenance to several bridges



► 2 Ave NE Water & Sewer Rehabilitation

Near the end of its service life, this water line had been a source of multiple line ruptures, creating significant maintenance costs and service disruptions.

Installation of a new pressure regulating valve vault and pressure regulating valve bypass will improve water service to the Riverside area.

The project also replaced 272 metres of vitrified clay tile sanitary sewer with PVC pipe, and 606 metres of aged and degraded cast iron water main.

The total project investment was \$3.1 million.



► 5 Ave SE Water & Sewer Rehabilitation

A new, 1,000 metre looped water network will strengthen the water distribution system for the SE Hill area, providing consistent water flow and ensuring a constant high quality water service.

In 2018, 414 metres were completed, with 600 more metres to be replaced in 2019.

Once complete, the total project investment will be \$3.5 million.

► 7 St NE & 5 St SW Water and Sewer Rehabilitation

This project was undertaken in six phases to minimize disruption during construction, and involved replacement of aging cast iron water main and vitrified clay sanitary sewer pipe. These were upgraded to PVC pipe, which provides an extended service life and ease of maintenance.

In total, the following was replaced:

- 1,310 metres of aging cast iron water main, including 680 metres with internal deterioration affecting water quality;
- 1,342 metres of aging vitrified clay tile sanitary sewer pipe with new PVC pipe, including 637 metres that had succumbed to root invasion.

The project investment was \$4.5 million.



► Carry Dr SE Sanitary Sewer Rehabilitation Phases 1 & 2

This project utilized a modern lining technology to repair degraded sanitary sewer pipe and manholes. The lining process increased the service life of the pipe for an expected 50 years and minimized ground disturbance and public disruptions.

The project include the largest diameter liner (1,050 millimetres) to be installed in the City of Medicine Hat to date, and a total of 2,400 metres of sanitary sewer pipe was repaired.

Much of the work was undertaken in evenings and overnight and in a manner that minimized disruption along this busy thoroughfare.

The project investment was \$4.5 million.



► Critical Gas Line Replacement

After providing reliable and safe service for nearly forty years, the main gas line supplying the Power Plant required replacement. The challenge to the engineers and technicians was to ensure there were no power delivery interruptions while switching to the newly constructed gas line. After years of planning, the new gas line was placed into service in October 2018, without interruption.



► Devonian Trail Retaining Wall Upgrade

The Devonian Trail is part of the Heritage Trail System, and is a main connector between City Hall and Lions Park. It is one of the most used portions of the trail system.

Upgrades were completed on a portion of the Devonian Trail including a retaining wall that allowed for the installation of railing to improve safety for public use.

The project's total cost was \$149 thousand.



▶ An Electrical Island

In May 2018, the City's main interconnection point to the Alberta grid required immediate repair. To facilitate this repair, the City was separated from the Alberta system for four days, essentially creating an "Electrical Island."

The Electric Generation Operations team performed real-time electrical demand and load balancing during this entire period without any customer impacts.

▶ Industrial Avenue Overland Flow Protection Strategy

The City continues to implement the \$33 million Overland Flow Protection Strategy (OFPS). Nearly 5,000 metres of permanent measures have been constructed since the devastating flood in 2013.

Industrial Ave OFPS Work Areas 1 and 2 consist of 940 metres of earthen berm. Work Area 1 was completed in July 2018. Work Area 2 was completed in November 2018.

Thirty-eight storm outfall backflow prevention devices have been installed along the river and creeks. These devices are critical in the

protection of low-lying areas against flooding through storm system backup.

Cost to construct both work areas was approximately \$5.3 million.





Medicine Hat Airport Runway 03-21 & Taxiway A Rehabilitation

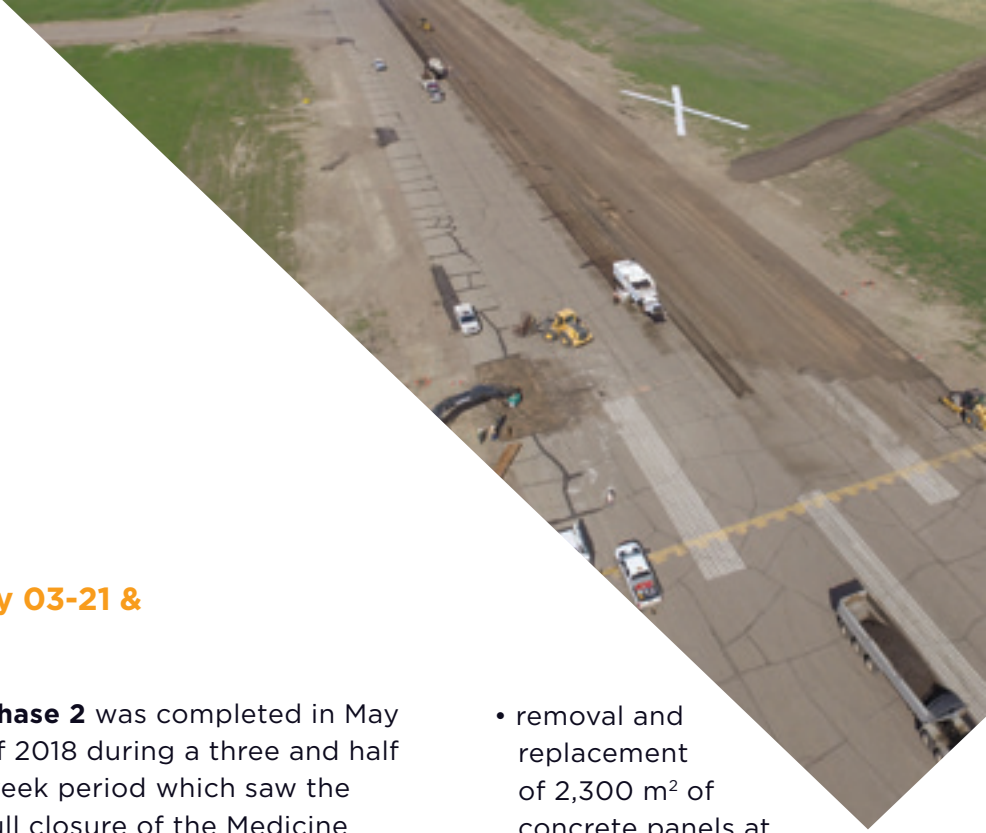
In 2017, the City of Medicine Hat received over \$12.9 million in funding through Transport Canada's Airport Capital Assistance Program to rehabilitate main Runway 03-21 and Taxiway A. The rehabilitation project is expected to extend the life of the runway and taxiway an additional 20 years. The project was completed on schedule and under budget.

Phase 1 was completed in 2017, and consisted of the replacement of the subsurface drainage system and electrical lighting systems.

Phase 2 was completed in May of 2018 during a three and half week period which saw the full closure of the Medicine Hat Airport. During this time, contractors completed:

- Airfield Lighting Control System installed
- 135 metres of storm sewer installed
- removal of nearly 70,000 m² of asphalt
- placement of nearly 70,000 m² of granular base
- placement of over 18,000 tonnes of hot mix asphalt

- removal and replacement of 2,300 m² of concrete panels at the turn buttons
- re-establishment of the pavement markings
- topsoil rehab and hydroseeding.





▶ **NW Storm Trunk & Brier Park Sanitary Bypass**

The project included installation of a new storm trunk main running along 3rd Street NW, up Saamis Drive NW to Box Springs Road NW. The new trunk facilitates future development in the NW and addresses current drainage issues along 3rd Street NW and a portion of Brier Park. The two-year project started construction in June 2018, with completion forecasted for October of 2019.

Work completed in 2018 included:

- 1,520 metres of storm trunk installed

- 229 metres of catch basin leads installed
- 19 catch basins installed
- installed a storm water energy dissipater to reduce flow rates to the South Saskatchewan River
- new storm pond rough graded
- 1,144 metres of sanitary trunk installed
- road restored along Saamis Drive NW and 3rd Street NW.

Total project cost is estimated at \$18 million, with approximately \$9.1 million worth of work completed in 2018.

▶ **Police Point Park Nature Centre Upgrades**

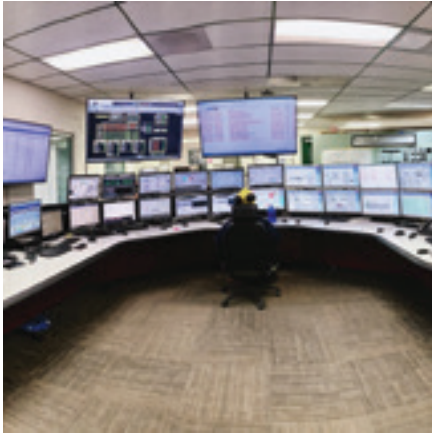
Through a partnership between City of Medicine Hat, Medicine Hat Accommodation Association and Grasslands Naturalists, upgrades were completed on the Police Point Park Nature Centre.

The interior and exterior of the building were enhanced, including an accessible washroom.

These upgrades were the first since construction in 1982, and were funded by the City as well as grants from the Medicine Hat Accommodation Association, Community Facility Enhancement Program (Provincial) and the Enabling Accessibility Fund (Federal).

In addition, the Co-op Community Spaces grant program funded the replacement of the Prairie Viewpoint in Police Point Park.

Total grant funding was just under \$732 thousand.



▶ **Power Plant Computer Upgrade**

A multi-year project is underway at Electric Generation to replace aging computers.

Industrial computers which operate power equipment require rigorous engineering and operations oversight during development and deployment.

This \$4 million project will ensure the power plant industrial control system maintains the highest level of cyber-security, ensuring the nerve center of the power plant remains safe and reliable for years to come.



▶ **South Railway Street & South Flats Project**

The section of South Railway Street SE from Kingsway Avenue SE to the bottom of Scholten Hill was in poor condition and required rehabilitation and upgrades. The two-year project started in 2017 and finished in fall 2018.

Physical upgrades were completed on the following:

- pavement surface and structure;
- water and sanitary sewer infrastructure;
- surface drainage;
- pedestrian and cycling connectivity by installing 3m multi-use trail;
- business access and parking.

Safety was also improved by reducing/eliminating interference between vehicle parking and traffic along South Railway Street SE.

The combined project budget was \$11.5 million.



▶ Strachan Road Rehabilitation

An engineering review showed that a 340 metre section of Strachan Road SE, from South Ridge Drive SE to Stratton Way SE, was in very poor condition.

The road rehabilitation included:

- removal and excavation of existing pavement surface and structure;
- installation of subsurface drainage pipes;
- installation of new pavement structure and asphalt surface;
- installation of pavement markings.

To minimize community disruption, the majority of construction was completed during the summer when local schools were not in session.

The total project cost was \$620 thousand.

▶ Strathcona Centre Updates

Strathcona Centre became the main community hub for residents 50 and over after the 2013 flood damaged the Veiner Centre.

The renovated and expanded Veiner Centre re-opened on July 24, 2018.

Upgrades to the Strathcona Centre occurred from July to November, 2018, including washroom upgrades, storage area improvements, the addition of a security window, general electrical work, painting and floor preparation. The contract for this work was approximately \$225 thousand.

Operating six days a week, the Strathcona Centre now hosts a new fitness facility with updated work out equipment, as well as space for clubs and activities to meet and connect.



Community Safety & Vibrancy



► Cannabis Retail, Regulations & Licensing

Changes were required to address the legalization of cannabis in October, 2018. The Land Use Bylaw was amended to respond to impending legalization of retail non-medical cannabis and establish rules to regulate Cannabis Retail Stores through adoption of the Cannabis Retail Store Overlay.

The Licensing Bylaw was updated to include requirements, definitions and fees for “Cannabis Production and Distribution Facility” and “Cannabis Retail Store.” Changes were communicated to ensure applicants and the community understood City policies.



► Fire Services Station #1

The completion of Fire Station #1 was the final component of the Fire Service Response Coverage Optimization Plan.

Fire Station #1 was relocated from 440 Maple Ave SE to 401 Parkview Dr NE. The move increased response coverage so that 95% of residents now live within a Fire Services six minute and twenty second response area.

The \$8.25 million capital project was funded through provincial grants.



A City of Medicine Hat Environmental Initiative

▶ HAT Smart 2018

HAT Smart is a popular and award winning environmental initiative, mandated to educate consumers as well as promote energy conservation and renewable energy initiatives.

HAT Smart is for the benefit of residential customers and is funded from high consumption electric and gas residential utility customers through an Environmental Conservation Charge.

In 2018 rebates included Solar Electric, EnerGuide for New Homes, ENERGY STAR Clothes Dryers, Air Sealing, and Scratch & Win.

Reservations for each rebate were as follows:

- Solar: \$135,482.50
- EnerGuide Ratings: \$38,000
- Scratch & Win: \$7,741.95
- Clothes Dryers: \$4,650
- Air Sealing: \$3,400

▶ Power Down Challenge

This city-wide energy reduction contest ran during the month of July, and participants were asked to reduce electricity consumption by 5% or greater compared to their July 2017 consumption.

Medicine Hat Gift Cards were awarded to the top three entries (\$750, \$500 and \$250). In total, 349 participants signed up for the challenge, and the average electricity reduction among participants was 22.8%.

The top three winners each had reductions of over 70%, and the total power reduction amounted to 81,566.2 kWh, which translated to the annual consumption of 10 houses.



► Residential Recycling

Implementation of the Residential Recycling Project brought curbside recycling to approximately 21,000 residents weekly. The recycling program has increased the amount of recyclable materials being diverted from the landfill by over 40%. Roll-out of 21,000 blue recycling carts included:

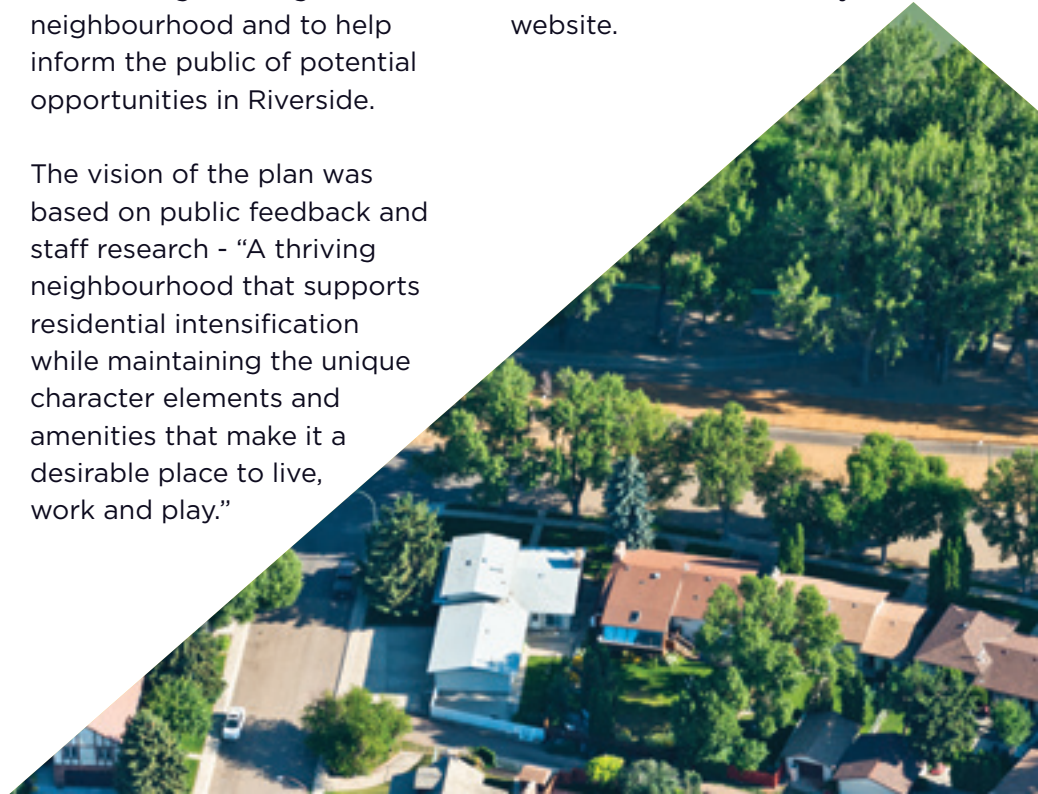
- preparation of 21,000 Blue Cart Information Packages inserted into each cart;
- development of wide-ranging communications and activities designed to assist with resident understanding;
- establishment of rates and bylaws;
- amendments to the Solid Waste Bylaw (1805).

► Riverside Area Redevelopment Plan

The purpose of the Riverside Neighbourhood Plan was to assist all residents and stakeholders in adapting to the challenges facing the neighbourhood and to help inform the public of potential opportunities in Riverside.

The vision of the plan was based on public feedback and staff research - "A thriving neighbourhood that supports residential intensification while maintaining the unique character elements and amenities that make it a desirable place to live, work and play."

The plan was received positively by the community as effective public engagement ensured it met community expectations. It can be viewed on the City website.



► School & Playground Trials

The City conducted trials with new safety markers in select areas to increase driver compliance and awareness based on a 2015 review of school and playground zones. Test signs and signals were installed at fourteen locations in early 2017, and remained until April of 2018.

The success of the trials was based on speed data, observations and public feedback. As a result of the trials, the public identified treatments that they felt played an important role in improving safety, however it was determined that these treatments had limited impact on speed.

The City will focus on continued engagement and education on general rules of the road, improvements to parking around schools, and engineering practices to mitigate congestion and speed.

Cost of trials was \$20 thousand.



► Saratoga Fenced Off-Leash Dog Park

Medicine Hat opened its first major fenced, off-leash dog-park. The project started in May 2017 and was completed in November 2018.

Feedback from dog users was gathered, as well as research on best practices of fenced, off-leash areas in other communities. Features include gated access and transition areas, wind shelters, water for dogs, agility structures, and a parking lot.

Conveniently located, the park has become popular with dogs and their owners. Total project cost was approximately \$65 thousand over two years.





▶ Secondary Suite Registry

A public, accessible registry of approved secondary suites for rent was created to increase the level of safety and security for existing and prospective tenants.

The registry heightens awareness of property owner responsibilities.

Over five hundred secondary suites exist in Medicine Hat, and over one hundred approved suites are now listed on the secondary suite registry.

▶ South Boundary Road Posted Speed Limit Review

A technical assessment was completed along the South Boundary Road corridor from Strachan Road SE to Highway #3. This assessment was to ensure pedestrian and vehicle safety would be maintained with respect to posted speed limits.

The comprehensive speed review was based on current Transportation Association of Canada industry standards and guidelines and engineering best practices.

The posted speed limit from Southlands Drive SE to Range Road 61A was changed to 70 km/h, providing continuity along the corridor and consistency with other similar roads in the City's transportation network.

The new posted speeds were implemented in July.



▶ Urban Well Management

The Urban Well Management Program assists with solutions for gas migration and safety by meeting regulatory requirements for previously abandoned urban wells.

Innovative, leading edge solutions have received recognition by the Alberta Energy Regulator.



▶ Veiner Centre Opening

The grand re-opening of the Veiner Centre took place July 24, 2018, after being closed in 2013 due to flood damage.

The building now houses a commercial kitchen, large dining room, games room, craft room, presentation/meeting rooms, seasonal outdoor space and an administration area.

Operating six days a week, the Veiner Centre offers flexible multi-use space to serve seniors needs today and for future generations.

The total project cost was \$11.95 million.

▶ Water System Leak Detection

Echologics is an innovative leak-monitoring platform designed for water distribution mains. This system is being used to monitor the oldest, most vulnerable pipelines in the distribution network. In 2017, the installation of 154 nodes using Echologics technology was the first wide-scale project of its kind in Canada. In 2018 another 155 nodes were added so that overall, 15% of the fire hydrants in the city now have leak-detecting nodes attached.

The acoustic nodes in the Echologics system are installed on fire hydrants and then linked across a wireless network for continuous, day-by-day monitoring.

Sophisticated acoustic sensors detect and pinpoint the source of faint noises emitted by pipeline leaks — long before they become detectable by conventional methods.

When a potential leak is identified, the system provides

the exact location of the leak.

There is nearly 53,000 metres of monitored pipeline in the city covering an area of about eight square kilometres. In 2018, 1423 hydrant-to-hydrant orientations were correlated daily, and 89 persistent leaks have been detected by the Leak Operations Center. Fourteen leaks have been submitted to the City for investigation, and of these, 12 were resolved and two investigations are ongoing.

Project investment was \$500 thousand.



Sunshine Hospitality



► Destination Marketing Organization (DMO)

The City contracts tourism support services to develop and promote Medicine Hat tourism products and services.

In 2018, the work of the DMO resulted in a 2.5% increase in traffic to the Visitor Information Centre.

Since 2015, the DMO has increased awareness of tourism assets and expanded tourism events and services.

In 2018, the DMO signed an MOU with the Medicine Hat Games Society and formed the Medicine Hat Sport and Event Council. The council will promote larger events in

partnership with provincial and national associations, provide support for bids and grants, and coordinate and communicate these community events.

The 2018 DMO contract was \$400 thousand.





Parks & Recreation Upgrades

Three playgrounds, located in the Taylor, Clennel and Valleyview areas were upgraded at a total cost of \$188 thousand.

Development occurred at Ross Glen and McCoy Schools to convert one of the two tennis courts at each location to a permanent pickleball court to meet the growing demand for this emerging sport. The total cost of the project was \$228 thousand.

To increase capacity and meet user needs, field lighting was upgraded at the Moose Ball Complex, and lighting was added to the two previously unlit diamonds for a total cost of \$950 thousand.

Upgrades totalling \$250 thousand were completed at the Strathcona Island Park boat launch, as part of the South Saskatchewan River Recreation Opportunities, and included construction of a viewpoint to improve access and increase use of the river.

The Hockey Hounds Rec Centre ice slab and rink boards were replaced at a cost of \$1.2 million.



▶ Peaks to Prairies EV Network

In December 2017, the City and Medicine Hat College signed a joint letter of support toward establishing a network of Electric Vehicle (EV) fast charging stations across Southern Alberta. The EV Network will address a gap in charging infrastructure and related EV 'range anxiety' across southern AB with additional benefits of facilitating tourism, GHG reductions and economic development.

As project partners, the City and College each committed \$15 thousand toward a cumulative \$210 thousand funded by a municipal and regional Economic Development Alliance.

In February, the Federation of Canadian Municipalities committed \$0.75 million and the Province of Alberta confirmed the final \$1.2 million in funding needed to establish twenty stations across the South Alberta EV Network.

A City site is expected to be installed in 2019.



▶ Pay What You Will Program

The program aims to increase attendance at Esplanade events by removing financial barriers that may prevent some families from attending.

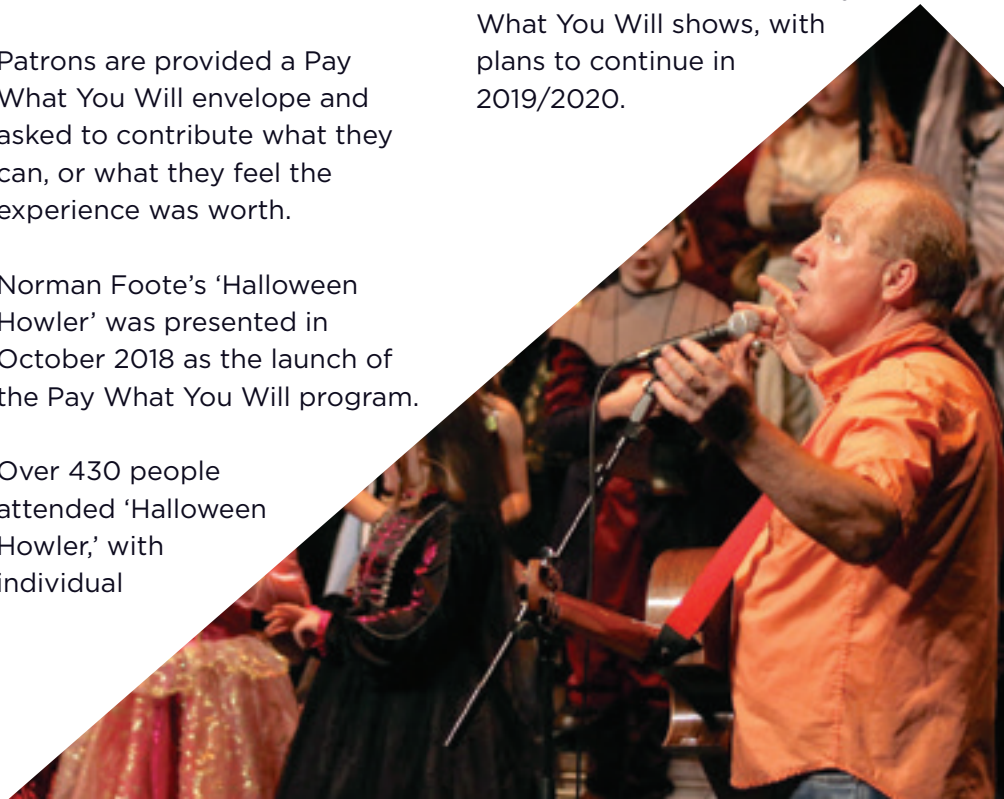
Patrons are provided a Pay What You Will envelope and asked to contribute what they can, or what they feel the experience was worth.

Norman Foote's 'Halloween Howler' was presented in October 2018 as the launch of the Pay What You Will program.

Over 430 people attended 'Halloween Howler,' with individual

envelope contributions ranging from pocket change to \$100.

The 2018/2019 Esplanade season will include three Pay What You Will shows, with plans to continue in 2019/2020.



City Government



▶ Contractor Safety Management

In an effort to modernize and improve contractor management across all City departments, Health, Safety and Environment (HSE) developed a consistent approach to ensure the City manages its contractors efficiently and effectively.

The City introduced contractor HSE management software, ComplyWorks, in the fall of 2018. Staff engaged with hundreds of contractors, resulting in 433 contractors signed on

with Complyworks at the time of launch.

Free training was provided to over forty contractors to assist in the development of their HSE management systems.

Consultation sessions were held with individual contractors and contractor associations.

The project will improve the community's overall HSE performance and ensure that contractors remain safe while working for the City or other clients.



► Council Highlights

To support community awareness of decisions and discussions at City Council meetings, a Council Highlights feature was launched on the City website.

The highlights are published on the City website the morning following each City Council meeting. Community members are able to see a quick summary of what occurs at each meeting.

► Intermunicipal Collaboration Framework (ICF) & Intermunicipal Development Plan (IDP)

Amendments to the Municipal Government Act (MGA) resulted in new requirements to work with neighbouring municipalities to prepare an ICF and updated IDP by April 1, 2020.

These changes are intended to encourage greater regional collaboration and greater efficiencies in service delivery.

The City of Medicine Hat, Cypress County and Town of Redcliff jointly applied and were approved for a \$200 thousand Alberta Collaboration Programs Grant to assist in the preparation of the ICF/IDP.

The project will continue through 2019.

► Safety Codes Permit Bylaw No. 4438

City of Medicine Hat has been an accredited municipality with provincial approval to enforce the Safety Codes Act (SCA) since 1996.

Bylaws relating to building permits, electrical permits, gas permits, and plumbing and drainage regulation were consolidated into one unified and updated Safety Codes Permit Bylaw.

By consolidating and introducing a single fee schedule for all Safety Code permits, the City is able to better manage fee changes and provide local builders and contractors with a greater understanding of how these regulations and fees affect their project.





Financial Report

FINAN
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Treasurer's Report

are not PSAS-basis data. Both reports are available for viewing at www.medicinehat.ca/reports.

I am pleased to submit the City of Medicine Hat Consolidated Financial Statements for the fiscal year ended December 31, 2018. Most of the information in this report is drawn from the financial information appearing in the 2018 City of Medicine Hat Consolidated Financial Report, a more detailed and complete financial presentation prepared in conformance with Public Sector Accounting Standards (PSAS) and audited by independent auditors, KPMG LLP, receiving an unmodified opinion.

The statistical, economic and demographic data are taken from various sources and

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Canadian Award for Financial Reporting to the City for its Financial Report for the fiscal year ended December 31, 2017, the sixteenth 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.



Brian Mastel
Commissioner
Corporate Services
December 31, 2018



Management Reporting & Control

► Strategic Planning & Budgeting

City Council developed a Strategic Plan highlighting priorities, strategies and goals for the planning period 2014-2018. 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 primary 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 department budgets and when satisfied that budgets are aligned with the Business Plans, the budget recommendation is presented for City Council approval.

The Operating Budget lays out the revenues and expenses for the planning periods that will be required to deliver City services to residents. A ten year Capital Plan is developed for all departments. The Capital

Plans identify proposed capital project expenditures and their corresponding sources of funding. For the 2017/18 budget period the City employed a capital ranking process for the tax supported departments. This process is intended to ensure that limited capital funding is allocated to the projects that will provide the highest value and benefit to the municipality.

► Our Business Cycle



Financial Highlights

The financial data below provides an overview of key financial information over the past two 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 business. As a result, there is a \$23 million annual shortfall in the energy subsidy to the City's municipal operating budget. This annual shortfall was reduced by \$7 million in the 2017/18 budget period through a combination of cost containment measures, service level adjustments and increases to fees and taxes.

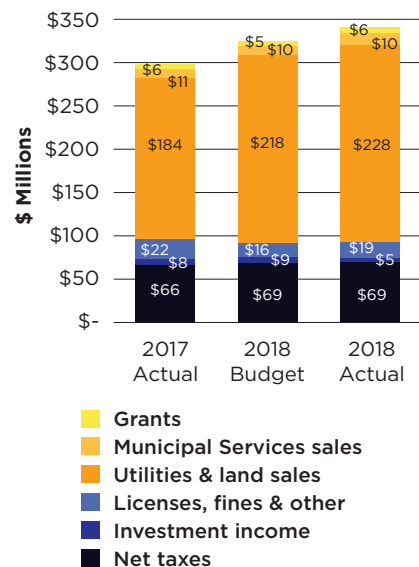
In 2016, Council adopted the key guiding principles of Financially Fit for the Future as a response to this financial challenge. Over the next decade, this framework will facilitate discussion around fiscal management and delivery of core services with a goal of becoming sustainable through reduced reliance on commodity based revenues for the delivery of municipal services.

Revenues

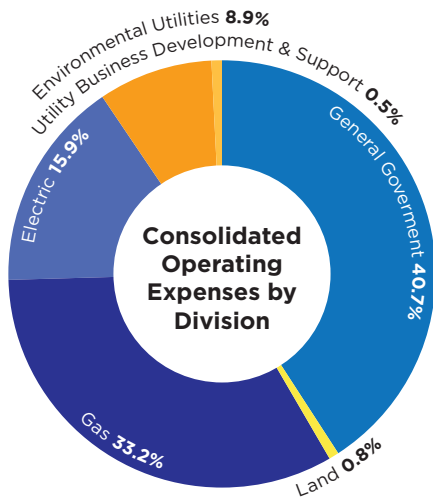
Revenue before capital contributions and grants was 10.1 million higher than budget (\$337.1 million versus budget of \$327.0 million) mainly due to higher electric revenues. Electric revenues were \$16.2 million higher than budget due to average prices at \$50.19 per megawatt hour versus budget at \$43.49 per megawatt hour. Gas revenues were \$8.4 million lower than budget primarily due

to average gas prices at \$1.42 per gigajoule versus budget at \$2.29 per gigajoule and 8% lower volumes related to temporary and permanent shut in of gas wells.

2018 revenues are higher than 2017 revenues by \$40.3 million primarily due to higher electric revenues as a result of higher commodity prices and volumes from full year operations of a new electric generation turbine.



Expenses

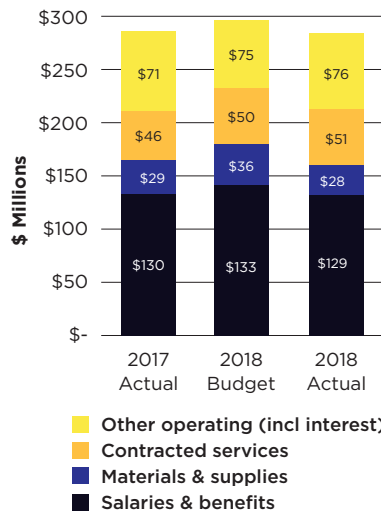


Overall the City operating expenses for the year were \$0.5 million lower than budget mainly due to lower activity as a result of lower gas and oil commodity prices; lower amortization due to capital projects being deferred to 2019 or subsequent years offset by an impairment recognized on the natural gas and oil reserves.

2018 expenses are higher than 2017 expenses by \$36.9 million mainly due to recognition of a gain in 2017 on divested assets.

Expenses by Type

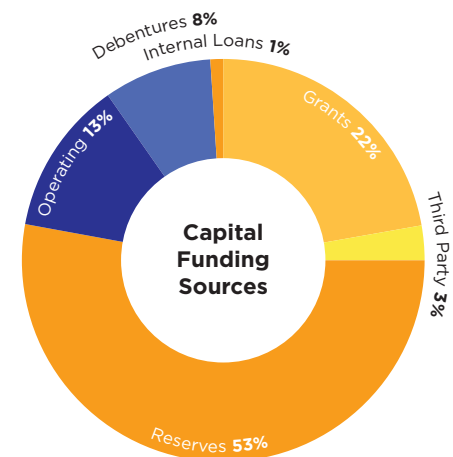
The Consolidated Expenses by Object Schedule details 2018 actual (\$383.1 million) and budget (\$383.6 million) by expense type. The chart below excludes non-cash items such as amortization, impairments and disposal expenses of \$98.7 million (2018 budget of \$89.3 million). Variances from budget for materials and supplies and salaries and wages are mostly related to lower activity due to lower gas and oil commodity prices.



The 2018 actual expenses by type are higher than 2017 due to higher contracted services as a result of increased fleet vehicle maintenance; increased fleet fuel costs due

to higher fuel prices; increased repairs on Electric Generation's unit II engine due to a failure; and increased residential recycling costs. Other operating expenses were higher due to increased gas purchases as a result of higher gas consumption as well as higher taxes in lieu due to increased electric sales to the Alberta Interconnected Electrical System.

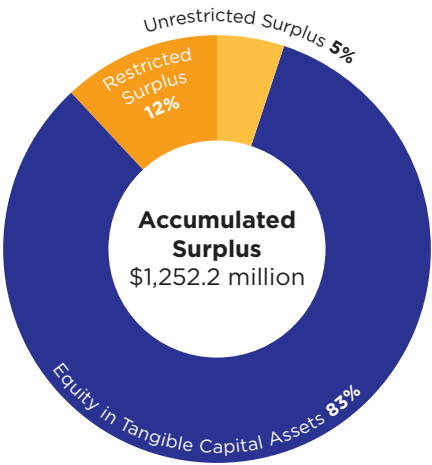
Capital Expenditures



The City's approved 2018 budget for capital items was \$142.5 million. Actual capital expenditures for the year were \$132.5 million plus contributions from developers of \$0.1 million. The current year expenditures include \$95.9 million for projects carried forward from previous budget years.

The 2018 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**



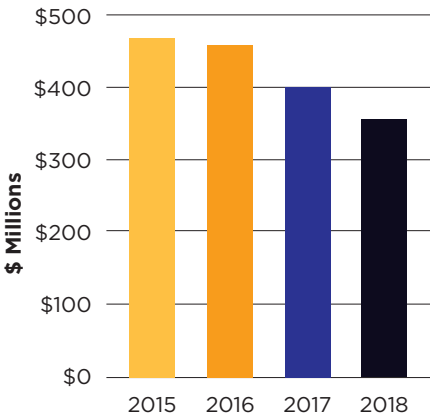
The accumulated surplus on the Consolidated Statement of Operations represents the total change in all fund and equity balances for the City of Medicine Hat. During 2018 the consolidated fund and equity balances decreased by \$16.4 million to \$1,252.2 million.

\$63.0 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 \$146.8 million and is largely dedicated to capital activities of the organization.

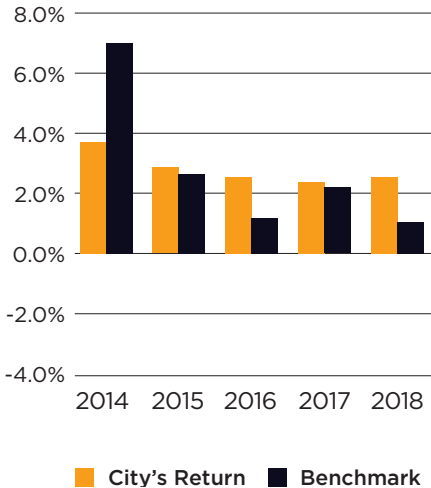
Equity in the City’s tangible capital assets increased by \$41.9 million to \$1,042.4 million this year as a result of an increase in City assets, offset by accumulated amortization and debt.

▶ **Investments**

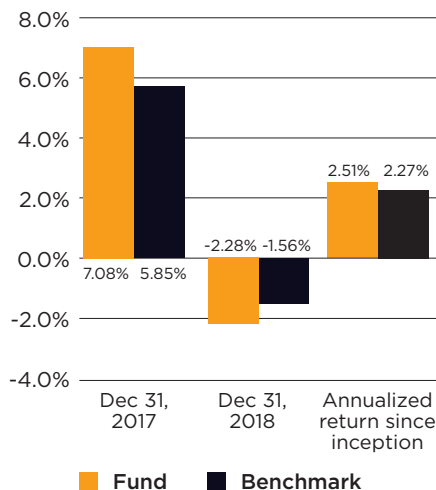


Investments, Loans and Advances decreased \$33.7 million from 2017 to \$360.0 million largely as a result of funds being used for community projects including Airport

runway rehabilitation, overland flood protection, NW storm trunk design and construction, and the construction and relocation of Fire Hall #1.



The City of Medicine Hat’s return on internally managed investments for the year ended December 31, 2018 averaged 2.5%, higher than the FTSE TMX Canada Universe Bond benchmark index of 1.1%. The City’s average portfolio return has outperformed the stated benchmark over the last four years. The exception in 2014 was due to the City’s term to maturity being less than the benchmark.



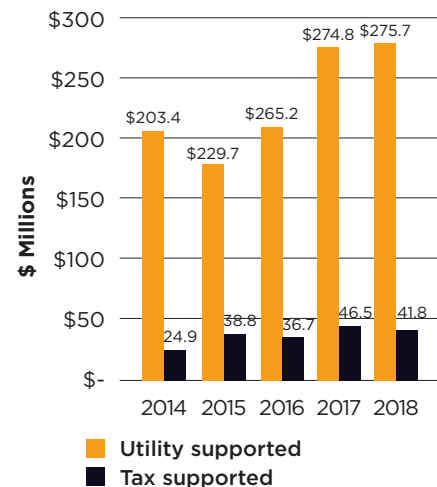
In 2018, the City continued to contribute to the externally managed investment portfolio, managed by the Alberta Investment Corporation (AIMCo). Overall, \$135.3 million has been invested with AIMCo (\$24.4 million in 2018 and \$110.8 million in 2017). The return for the year ended December 31, 2018 was (2.28%); 0.72% lower than the benchmark of (1.56%). Since inception (March 1, 2017 to December 31, 2018) the fund return was 2.51%, 0.24% higher than the benchmark return of 2.27%. The fund parameters are 40% money markets and fixed income and 60% equities.

Long-Term Debt

During 2018, total Long-term Debt decreased \$3.7 million to \$317.6 million with new debt issued of \$21.5 million being more than offset by debt principal repayments of \$25.2 million. New debt represents \$5.8 million for improvements to Environmental Utility assets, \$15.2 million relate to Electric Utility assets, and \$0.5 million for Gas Utility assets.

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 government transfers, and debt servicing is limited to 35% 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 \$2.2 million and letters of credit issued of \$40.4 million.

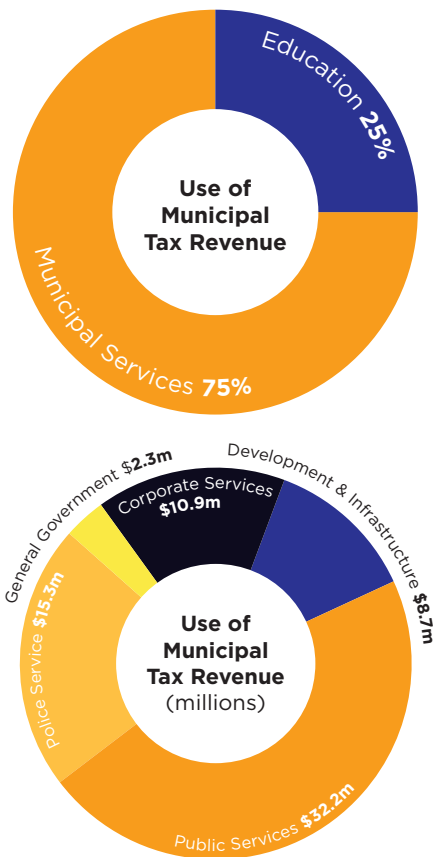
The City's long term debt limits are as follows:



(in millions of dollars)		2018
Debt limit	\$	674.10
Actual total debt		360.20
Amount under limit	\$	313.90 47%
Debt servicing limit	\$	118.00
Actual debt servicing		36.40
Amount under limit	\$	81.60 69%

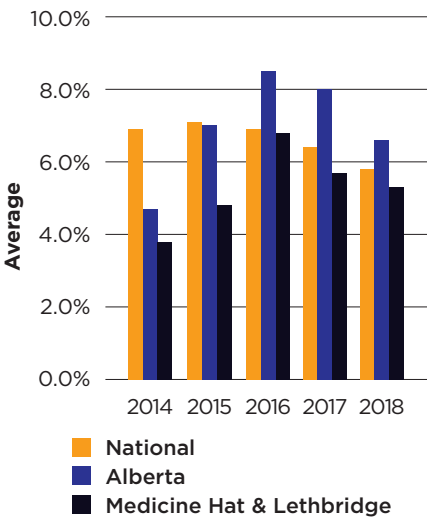
► **Municipal Tax Revenue Use**
(in thousands of dollars)

Net municipal property tax revenue of \$69.4 million (44.4%) is used to fund the consolidated General Fund operating expenses of \$156.3 million. Other revenue sources mainly include investment interest, sales, government grants, fees and permits.



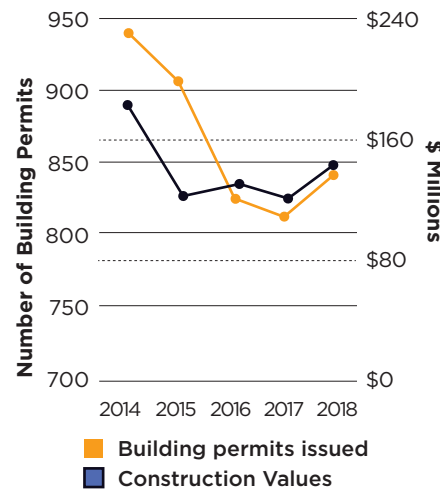
Economic Indicators

Unemployment Rates

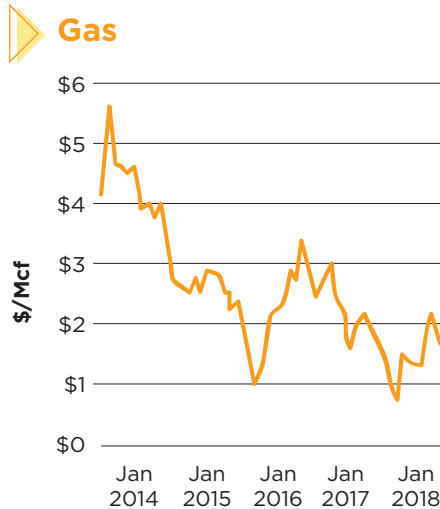


The combined unemployment rate for Medicine Hat and Lethbridge at the end of 2018 was 4.5%, while the 2018 average was 5.3%. The average Alberta unemployment rate for 2018 was 6.6% compared to 5.8% for Canada.

Building Permits Issued

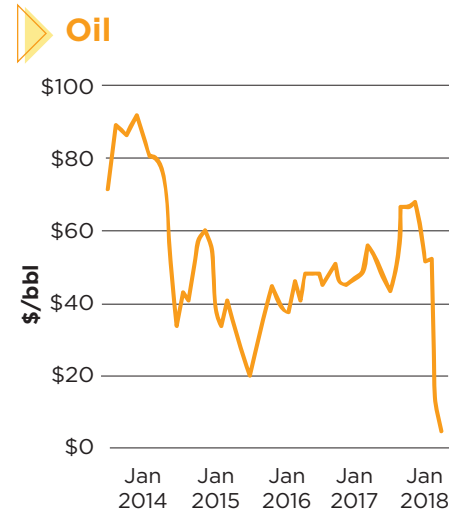


In 2018, the number of building permits issued increased to 840 primarily due to new development. The related estimated value of construction in 2018 also saw an increase from prior year to \$141 million.



Natural gas prices continued to decline in 2018 with gas being stranded in Alberta due to numerous maintenance projects on the NOVA Gas Transmission Limited (NGTL) pipeline. Another factor for lower prices was due to an increase of US dry gas production of approximately 8.6 billion cubic feet (Bcf) per day to an average of 83.3 Bcf per day. The average AECO price for 2018 was \$1.50 per thousand cubic feet (Mcf).

2018 sales gas volume from production for the City of Medicine Hat was 9,149,666 Mcf. A \$1 per Mcf change in the commodity price would affect annual gross revenue by \$9.2 million.

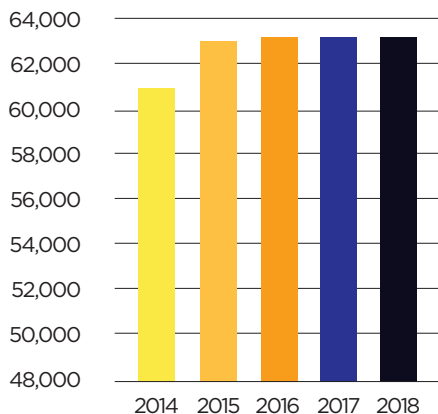


In 2018, the combination of oil storage in Alberta being at capacity through most of the year and the ongoing pipeline delays of Keystone XL, Enbridge Line 3, and Trans Mountain continued to impact the price of Canadian oil, Western Canadian Select (WCS). At the end of 2018 some refineries shut down for maintenance, which caused a drop in demand for Alberta oil leading to a \$15/barrel (bbl) net price in November and an \$8/bbl price in December. The average 2018 net WCS price was \$49/bbl.

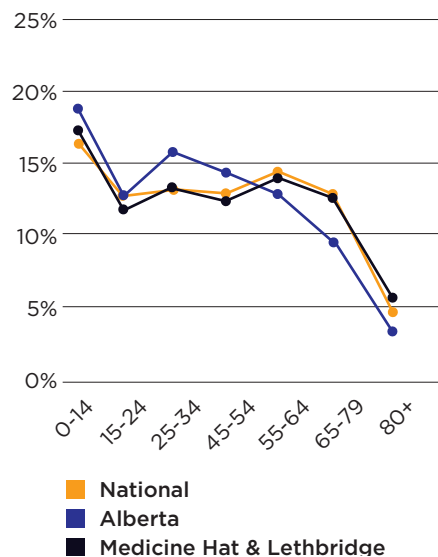
2018 oil production for the City of Medicine Hat was 504,795 barrels. A \$1 per barrel change in the commodity price would affect annual gross revenue by \$504,795.

Demographics & Population

▶ Medicine Hat Population



▶ Population Age Distribution



▶ Medicine Hat Largest Employers

Public

Medicine Hat Regional Hospital
City of Medicine Hat
Medicine Hat School District
Medicine Hat College
Province of Alberta

Private

South Country Co-op (all)
The Real Canadian Superstore
Canadian Pacific Railway
Wal-Mart
Goodyear

▶ City of Medicine Hat Permanent Established Positions

	2014	2015	2016	2017	2018
General Government	36	39	43	43	41
Corporate Services	167	170	173	172	178
Public Services	259	268	274	275	275
Police	154	152	150	150	151
Development & Infrastructure	88	88	89	89	89
Total Tax Supported Permanent Positions	704	717	729	729	734
Gas Utility 1	148	144	134	-	-
Electric Utility 2	91	102	107	-	-
Utility Distribution Systems 3	-	-	-	93	89
Natural Gas and Petroleum Resources	-	-	-	97	97
Electric Generation	-	-	-	46	45
Utility Business Development & Support	-	-	-	11	15
Environmental Utilities	102	105	105	107	106
Land & Business Support	5	6	6	6	6
Total Utility Permanent Positions	346	357	352	360	358
Total Permanent Positions	1,050	1,074	1,081	1,089	1,092

The 2018 information has been represented to reflect the change as a result of a major organizational restructuring in the Utility Division.

Note 1: 2014-2018 included Gas Distribution and Natural Gas and Petroleum Resources

Note 2: 2014-2018 included Electric Distribution, Electric Generation, and Utility Business Development and Support

Note 3: 2017 & 2018 includes Gas Distribution and Electric Distribution

Consolidated Statements

Statements as of
December 31, 2018
and in thousands
of dollars.

► Consolidated Statement of Financial Position (unaudited)

	2018	2017
Assets	\$ 468,736	\$ 494,256
Liabilities	670,324	649,962
Net financial debt	(201,588)	(155,706)
Non-financial assets	93,837	102,591
Tangible capital assets	1,359,967	1,321,773
Accumulated surplus	\$ 1,252,216	\$ 1,268,658

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

	2018 Budget	2018	2017
Annual deficit	\$ (40,270)	\$ (16,442)	\$ (8,252)
Acquisition of tangible capital assets	(142,461)	(132,566)	(137,876)
Amortization/Disposal of tangible capital assets	97,799	105,171	133,342
	(84,932)	(43,837)	(12,786)
Acquisition/Consumption of inventories and supplies	87	(1,110)	(937)
Net acquisition of land held for future development	(2,154)	(1,220)	(264)
Acquisition/Consumption of prepaid assets	(91)	285	444
	(2,158)	(2,045)	(757)
Increase in net financial debt	(87,090)	(45,882)	(13,543)
Net financial debt, beginning of year	(155,706)	(155,706)	(142,163)
Net financial debt, end of year	\$ (242,796)	\$ (201,588)	\$ (155,706)

Consolidated Statement of Operations (unaudited)

	2018 Budget	2018	2017
Revenue	\$ 327,004	\$ 337,074	\$ 296,801
Expenses	383,617	383,116	346,237
Deficiency of revenue over expenses before other revenue	(56,613)	(46,042)	(49,436)
Other revenue			
Capital contributions and grants	16,343	29,600	41,184
Annual deficit	(40,270)	(16,442)	(8,252)
Accumulated Surplus (beginning of year)	1,268,658	1,268,658	1,276,910
Accumulated Surplus (end of year)	\$ 1,228,388	\$ 1,252,216	\$ 1,268,658

Consolidated Statement of Cash Flows (unaudited)

	2018	2017
Net inflow (outflow) of cash related to the following activities:		
Operating		
Annual deficit	\$ (16,442)	\$ (8,252)
Non-cash items included in annual surplus	98,605	113,013
Non-cash items relating to capital and investing activities	-	(1,002)
Non-cash changes to operations (net change)	27,605	(48,263)
Cash provided by operating transactions	109,768	55,496
Cash applied to capital transactions	(126,000)	(117,547)
Cash provided by investing transactions	34,070	46,794
Cash provided (used) by financing transactions	(3,745)	19,426
Change in cash and equivalents during the year	14,093	4,169
Cash and cash equivalents, beginning of year	10,941	6,772
Cash and cash equivalents, end of year	\$ 25,034	\$ 10,941
Cash and cash equivalents consist of the following:		
Cash	\$ 56,375	\$ 42,654
Less: restricted portion of cash and temporary investments	(31,341)	(31,713)
Total	\$ 25,034	\$ 10,941

Financial Terms & Definitions

▶ **Accumulated surplus**

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.

▶ **Annual deficit**

Expenses exceed the revenues.

▶ **Annual surplus**

The excess of revenues over expenses.

The annual surplus or deficit shows whether the revenues raised in the year were sufficient to cover the year's costs.

▶ **Net financial assets**

When the financial assets are greater than the municipality's liabilities. A net financial asset position indicates the municipality has the necessary financial resources on hand for future operations.

▶ **Net financial debt**

When the financial assets are less than the municipality's liabilities. A net financial debt position indicates the municipality requires future revenues to pay for past transactions and events.

City of Medicine Hat

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

Phone: 403.529.8222

Fax: 403.502.8041

www.medicinehat.ca

Cover photography by
Luke Fandrich



Medicine Hat
The Gas City