



vision  
activity  
encourage  
growth  
success

CITY OF  
**MEDICINEHAT**  
*a community of choice*

**2014 ANNUAL REPORT**



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### Our Vision

To make Medicine Hat a  
"community of choice"

### Our Mission

To deliver value through  
exceptional public service



# corporate governance

**CORPORATE GOVERNANCE**

# CITY COUNCIL

City Council consists of a Mayor and eight Councillors, elected for a term of four years. The positions of Mayor and Councillor are elected at large, meaning that each person elected represents the City as a whole and not a particular ward or section of the City.



**Ted Clugston**  
Mayor



**W. (Bill) Cocks**  
Councillor



**Robert Dumanowski**  
Councillor



**Julie Friesen**  
Councillor



**Jamie McIntosh**  
Councillor



**Les Pearson**  
Councillor



**Celina Symmonds**  
Councillor



**Jim Turner**  
Councillor



**Brian Varga**  
Councillor



# MAYOR'S REPORT

This 2014 Annual Report sums up the first full year for this City Council and first year as Mayor for Ted Clugston.

Within this report, you will find a wealth of information about the past year, guided by the six strategic priorities established by Council. These include Economic Development, Infrastructure and Amenities, Social Wellness, Image and Profile, Fiscal Management and finally City Government.

These priorities establish for Council, administration and staff where to direct efforts with one ultimate purpose, to make Medicine Hat a community of choice. Our job in this organization and as elected officials is to ensure our city infrastructure, facilities and services support our residents' safety, security and well-being.

So, how did we do? The proof is in the results and I encourage you to read about them in this report. Automated metering installations continue, the airport expansion is nearing completion, the Family Leisure Centre

expansion, Methanex Bowl improvements and construction of Medicine Hat Regional Event Centre are all on time and on budget.

The Maple Avenue bridge rehabilitation and intersection upgrades were finished in November and planning and implementation projects are underway to protect our community from overland flooding with berms along the South Saskatchewan River. LED lighting upgrades were made downtown and LED street light installations continued in other parts of the city.

We will continue to find ways to support all segments of our society as an inclusive, caring and supportive community. I believe together we can find a balance to address all the needs of our residents.



A handwritten signature in black ink that reads "Ted Clugston". The signature is stylized with a large, sweeping "T" and a long, horizontal stroke at the end.

Ted Clugston  
Mayor  
April 20, 2015

# ADMINISTRATIVE COMMITTEE

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



**Ted Clugston**  
Mayor



**Merete Heggelund**  
Chief Administrative Officer



**Gerry Labas**  
Chief Operating Officer



**Karen Charlton**  
Commissioner of  
Public Services



**Brian Mastel**  
Commissioner of  
Corporate Services



**Stan Schwartzenberger**  
Commissioner of  
Development & Infrastructure



**Angela Cruickshank**  
City Clerk



**Bob Schmitt**  
City Solicitor

# STANDING COMMITTEES

## Administrative & Legislative Review

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

## Audit

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

## Corporate Services

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

## Development & Infrastructure

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

## Energy

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

## Heritage Resources

Coun. L. Pearson

## Public Services

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

# COMMISSIONS AND BOARDS

## Advisory Boards

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

## Assessment Review & Appeal Boards

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

## Commissions

Combative Sports Commission  
Municipal Planning Commission  
Police Commission

## Council Representation on other Organizations

Canadian Badlands Ltd. (Mayor T. Clugston, Coun. B. Varga)  
Chamber of Commerce (Coun. J. Turner)  
City Centre Development Agency (Coun. J. McIntosh)  
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. C. Symmonds)  
Municipal Names Committee (Coun. J. McIntosh)  
Municipal Planning Commission (Coun. J. Turner, Coun. B. Varga)  
Palliser Economic Partnership (Coun. J. Turner)  
Shortgrass Library System (Coun. C. Symmonds)  
Subdivision & Development Appeal Board (Coun. W. Cocks,  
Coun. C. Symmonds)  
Tourism Medicine Hat (Coun. L. Pearson)

**Did you know?**  
Senior Citizens Advisory  
Committee (SCAC) Building  
Committee members had 12  
committee meetings and  
hosted 5 community meetings  
regarding the development of  
a new Seniors Centre

# CAO'S REPORT

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

We are often challenged to “run the City like a business”. Public servants are custodians of taxpayers’ dollars and as such have additional demands on what we do and how we do it.

We can't measure year-end return on equity or share values. Instead, we implement measures of effective and efficient service delivery to ensure accountability. We have a duty to meet standards of openness, a fair distribution of value and accessibility beyond anything a private business requires.

The CAO's job is to ensure alignment to City Council's priorities by setting direction throughout the organization, and creating a workplace where we tap into the full potential of every employee. We also strive to align our work with community needs and engage residents in our activities.

2014 was a year of significant strides in alignment and

engagement. Internally, we undertook an employee engagement survey, resulting in departmental action plans and the definition of a set of corporate values. These values — respect, accountability, courage, integrity and caring — will guide our service delivery and our interaction. Externally, we sought input on a significant number of topics, including flood mitigation planning, senior centre design, river valley recreational opportunities, transit services and development of the Medicine Hat story.

What we accomplished is described throughout this report. By shining a light on our effort to change how we perform, and by ensuring alignment and engagement as we move forward, I hope our “shareholders”, the residents of this great community, will be satisfied with our progress.



## Did you know?

Over 8 km of temporary flood protection products were deployed during the 2014 June flood threat to protect public and private property

A handwritten signature in black ink, which appears to read "Merete Heggelund".

Merete Heggelund  
Chief Administrative Officer  
April 20, 2015



# COO'S REPORT

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

The City's Energy Division has been an excellent source of stability for the City for decades.

Between 2004 and 2013, the Energy Division dividend has amounted to a total of \$354.8 million. The dividend has served to keep property taxes low and assist with major capital projects, while the City's utility customers have the lowest all-in utility rates provincially, and enjoy safe, reliable, customer-focused service.

Major highlights from 2014 included further initiatives to assist in achieving goals from the Community Environmental Roadmap with the commissioning of the Box Springs Wind Farm and the HAT Smart Solar Thermal projects in 2014. The three wind turbines generate electricity for about 2,000 homes in a year. The solar thermal initiative is expected to generate electricity for about 180 homes annually.

Also important in 2014 was the continued savings local utility customers experienced. For the

year, the average electric and gas utility customer in Medicine Hat paid \$626.48 less when compared with the average customer in other Alberta jurisdictions.

We are now in the midst of a downturn in the energy sector with both oil and natural gas prices depressed.

For 2014, net earnings for the division were \$34.4 million before the impairment of \$28.4 million recognized on some of the City's natural gas and oil assets. The dividend paid to municipal services amounted to \$66.5 million. The division's net earnings were buoyed by the strong year for Electric Generation, which posted \$15.1 million in forecasted net earnings. That included \$5.1 million in ancillary services, whereby the power plant provided a service to the province by being on standby in case our locally-generated electricity was required elsewhere in Alberta.

Allied Oil and Gas, the wholly owned subsidiary of the City of Medicine Hat, had a successful



year, achieving a netback of \$39.77 per barrel of oil equivalent and a 21 per cent return on assets.

Electric and Gas Distribution remained steady, posting forecasted net earnings of \$0.8 million and \$2.433 million, respectively.

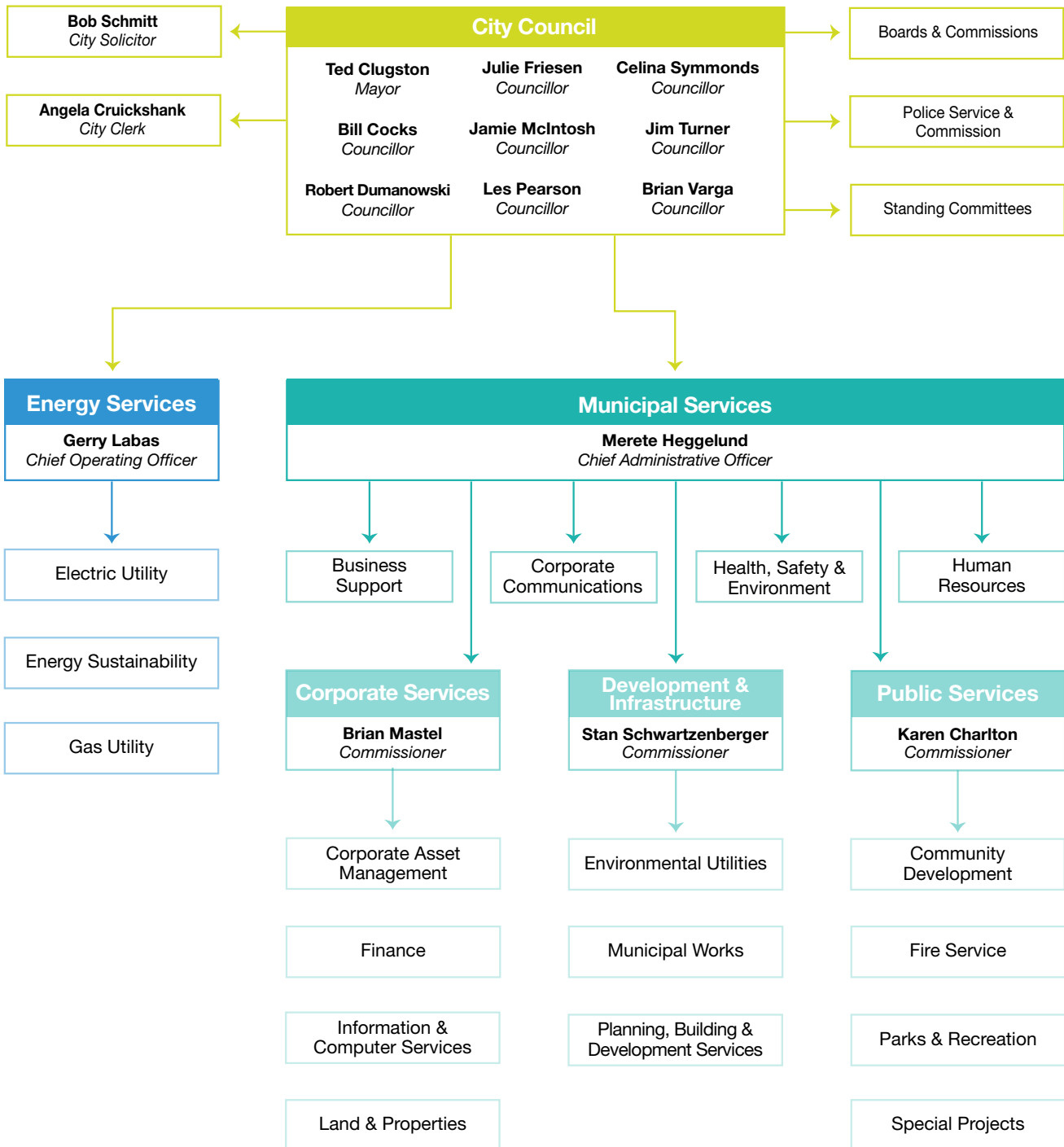
Going forward, the division will continue to manage the present low-price oil and natural environment by optimizing operations and seeking efficiencies wherever possible.

A handwritten signature in black ink, appearing to read 'Gerry Labas'.

Gerry Labas  
Chief Operating Officer  
April 20, 2015

# ORGANIZATIONAL STRUCTURE

As of December 2014





## **COUNCIL'S STRATEGIC PRIORITIES**



# ECONOMIC DEVELOPMENT

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

## Downtown Development Incentive Program

Conclusion of four-year program created to attract and support private sector investment

Delivered \$1 million in grants

Property owners who received grants have invested an estimated \$8-10 million in redevelopment



## Street Light LED Conversion

Approximately 300 downtown gas lamps converted to new energy efficient electric LED lights



## Downtown Beautification

First Street SE underpass mural "Medicine Hat's History in Motion" created by local youth

Five traffic controller boxes painted by local artists with scenes depicting Medicine Hat's history



## Supporting Downtown Businesses

Provided enhanced levels of service relating to snow clearing, street sweeping and public garbage disposal to help create a vibrant, safe and clean downtown

Provided funding for City Centre Development Agency's "Who's on Second," to celebrate the Second Street SE improvements and merchants



## Land Development

87 lots sold in 2014

205 residential lots on the open market as of December 31, 2014

2014 dividend contribution of \$5 million



## Airport Development

\$5.3 million airport terminal building expansion and renovation commenced

520 square metre expansion will significantly improve passenger comfort and amenities

Air service development continued with extensive consultation with various stakeholders



## Airport Land Assets

North section commercial land identified for priority development

Conceptual drawings completed for commercial development

Appropriate improvements and business possibilities identified for the area

Commercial land ready for market in 2015

## Partnerships Drive Economic Growth

\$100,000 grant provided to City Centre Development Agency to support and grow business in the city centre, and work with stakeholders to attract shoppers and visitors

\$100,000 grant provided to Destination Marketing Organization to promote Medicine Hat to external markets as an attractive place to visit

## Open for Business

Worked collaboratively with the local development industry to review the City's infrastructure standards, development requirements, and fees and charges

Provided training and support to staff to deliver services

Continued review and streamlining of approval processes resulted in improved turn-around times

Received more than 90 per cent 'excellent' service rating in Planning, Building and Development Services customer service surveys

**Did you know?**  
Scheduled airline passenger traffic grew by 11% in 2014, from 30,551 to 34,039



# INFRASTRUCTURE AND AMENITIES

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



## Sewer and Water Asset Management

Aging water and sewer underground infrastructure replaced to improve water quality, sewer services, and fire flows, including 1,658 metres of water main and 1,006 metres of sewer main

Innovative trenchless technologies used to minimize impact to customers and the surrounding area



## Did you know?

13.8 billion litres of water were treated to ensure safe drinking water

## Road Maintenance

\$1.9 million invested in 25 kilometres of roadway and cycling network upgrades and rehabilitation (18 km arterial, four km collector and three km residential roads), improving public safety and promoting economic growth

## Flood Mitigation

River modelling completed along South Saskatchewan River, Seven Persons and Ross Creeks

Public engagement sessions held to provide information and listen to feedback

Water and power plant berm construction completed

Harlow and Lions Park overland flow protection projects initiated, including design work and site preparation for earthen berms



## Compressed Natural Gas (CNG)

Six CNG buses and five CNG solid waste trucks added to fleet, providing social (less noise), environmental (fewer emissions) and operational (reduced fuel costs) benefits

Fueling station constructed and building upgrades made to Solid Waste, Transit and Fleet Services facilities



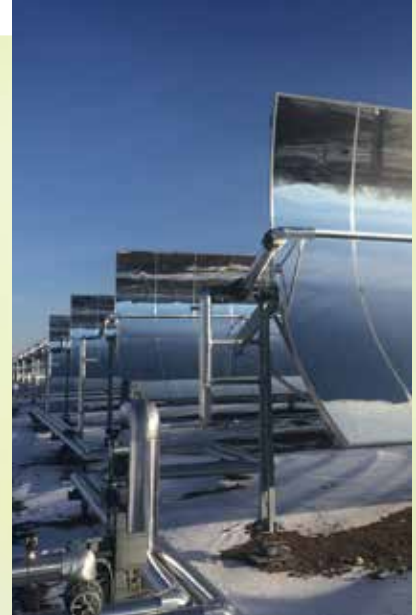
## Box Springs Wind Farm



Three wind turbines erected on City-owned land in the Box Springs area

Maximum output capacity of two megawatt (MW) per turbine, generating 16,000 megawatt hours (MWh) of energy per year – enough for about 2,000 homes

20-year power purchase agreement with the Box Springs Wind Corporation, the private company that constructed and operates the facility



## Solar Thermal Project

First-utility scale concentrating solar thermal generation facility in Canada

Eight rows of parabolic troughs generate output capacity of one MW of electricity. Anticipated generation of approximately 1,380 MWh of energy per year, enough for about 180 homes

Solar troughs direct the sun's energy to a heating fluid; heated water is converted to steam and generates electricity

## Maple Avenue Bridge Rehabilitation & Intersection Improvements

Installed new, more durable concrete bridge deck, cyclist railing and a multi-use sidewalk

Intersection upgrades made at First Street NE and Parkview Drive NE corridor, including road widening, lane additions, pavement rehabilitation, and concrete sidewalk, curb and gutter replacement

\$9 million project completed in seven months







## SOCIAL WELLNESS

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

### Medicine Hat Regional Event Centre Construction

Construction continued on \$74.9 million multi-purpose facility for large scale events, including hockey, touring acts and other special events

Pre-opening services in progress by contract operator, SMG Canada ULC

Building structure and shell complete, seating bowl, catwalk system and concourse in place

All suites and loge boxes leased

\$10 million capital fundraising campaign commenced



### Park Improvements

Designs completed for feature parks in Southlands 6 and Saamis Heights 7

Playground equipment replaced in Church Court Park (Crestwood), McQueen Park (NE Crescent Heights) and Hargrave Park (Riverside)

Flood clean up and restoration completed at:

- Arena and Athletic Park
- Lions Park and Strathcona Island Park baseball diamonds
- Echo Dale Regional Park boat launch
- Seven Persons Creek bank and trail in three locations

### New Seniors Centre Development

Engaged the Senior Citizens Advisory Committee Building Sub-Committee to define functional requirements of a new centre

Council approved College Drive/Primrose Drive SE site

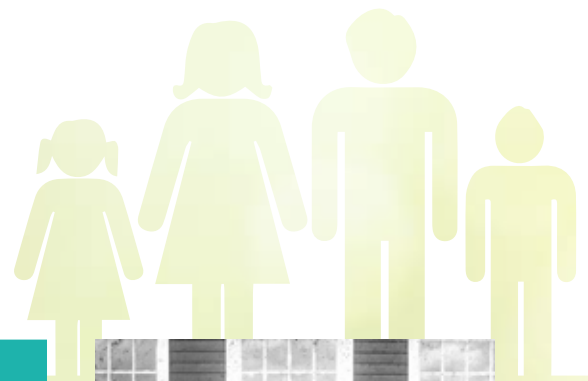
Architects completed a proposed design

Council directed exploration of options that reduce the scope of the proposed design and/or leverage existing recreation facilities in order to reduce capital commitment

### Did you know?

19,018 meals were delivered all across the city by our 60 Meals on Wheels volunteers





### Medicine Hat Police Services Station Expansion

\$21 million expansion designed to meet current and future service needs

Three story addition (1,900 square metres/floor), and underground parkade completed to house Patrols, Major Crimes, Forensic Identification, Canine, Firearms and Tactical Arrest Control Team, and other units



### Family Leisure Centre Expansion

Community/user consultations conducted to develop \$36 million facility expansion plans

Construction started on new multi-purpose double gymnasium, 200 metre walking/running track, expanded fitness facility, fieldhouse with twin indoor boarded multi-purpose fields, expanded pool seating, meeting and change rooms

Methanex Field with new multi-sport synthetic turf in use for full season; positive reviews from all user groups



### History on Display

Medicine Hat's War, 1914-1918, launched commemorating centennial of the First World War from the Medicine Hat perspective

Esplanade Gallery visitor attendance up 39 per cent from 2013



### Historic Resource Protection

City purchased 101-year-old McKenzie Sharland Grocery (1113 Dominion Street SE) building, then designated it a Municipal Historic Resource

Provincial grant secured to replace flood-damaged foundation





# IMAGE AND PROFILE

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

## All Hell for a Basement Video

Fresh, edgy updated look at life in Medicine Hat, highlighting buildings, scenery, people and attractions through historical and current images and video (can be found under 'Mayor's Videos' at [www.medicinehat.ca/mayor](http://www.medicinehat.ca/mayor))

"All Hell for A Basement" used with permission of Medicine Hat singer/songwriter Gordie Johnson of Big Sugar



## Medicine Hat: Favourite Places

Residents were encouraged to share photos and information to promote pride in our city and celebrate our beautiful and interesting places and spaces

Councillors presented their favourites in video format

Parks, leisure facilities, cultural amenities, people, and nature were highlighted most frequently



## Tourism Services

Visitor Information Centre operations included the production and distribution of promotional material and continued working alliances with tourism stakeholders

City continued to support local events and attractions through grants and other sponsorship, including Medalta, where visitor count increased to 52,942 in 2014 from 37,169 in 2013

Accommodation industry saw gains in both occupancy rates and average room rate



## Medicine Hat Story

Community brand desired to promote Medicine Hat to potential residents, visitors and investors

Stakeholder and public engagement initiated to capture

essence of Medicine Hat

Sunny climate, natural environment, friendly people, growing creative culture and amenities identified as key themes



# FISCAL MANAGEMENT

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



## New Tools and Resources

System design work undertaken for an Enterprise Resource Planning system to streamline and adopt best practices in fiscal, asset and people management

Detailed design work completed for modernized voice and data network to ensure system stability and dependability

Records management policy and system standardization instituted to advance record keeping, archival and retention practices

Implemented enhanced internal and website search engine capabilities

### Did you know?

By year end, 91% of the 81,194 metering devices had been installed

## Fleet Right Sizing



Reduced fleet by 202 assets and procured more versatile multi-purpose equipment to deliver more services with fewer resources

Reduced service and maintenance costs across departments

## LED Street Light Conversion

Replaced 1,000 bulbs with LED lights in the South West Hill and light industrial areas

LEDs are 50-60 per cent more energy efficient than conventional lighting with four to five times longer lifespan

3,300 out of 8,400 City street lights (40 per cent) have been converted to LED



## Automated Meter Installation

Continued installation of meters for automated consumption data for electric, gas and water meters within the utilities' service area

Reduced meter reading costs, improved worker safety and customer service, increased meter reading accuracy and outage system knowledge

Meters tested for safety and reliability







# CITY GOVERNMENT

The City increasingly stands out as a well-governed and well-organized municipal corporation with a positive corporate culture.

## City Council's Strategic Priorities 2014-2018

Strategic Plan introduced to guide decisions, work and activity for the next four years

Focused on accelerating growth in Medicine Hat while ensuring City provides quality services, infrastructure and amenities through responsible management

Six strategic priorities:

- Economic development
- Infrastructure and amenities
- Social wellness
- Image and profile
- Fiscal management
- City government



## Focus on Health, Safety and Environment

New team created to provide consistent, centralized focal points for health, safety, environment and emergency management. Work focused on providing proactive initiatives that have a direct positive impact on the health and safety of City staff

HSE Specialists stationed in operating departments. Existing safety-related positions augmented to help manage regulatory requirements of commercial vehicles, Occupational Health and Safety, and the environment

Conducted City's first-ever International Standards Organization (ISO) environmental internal audit. Results show City is demonstrating operational due diligence

Maintenance of Certificate of Recognition was achieved following a successful external safety audit

## Leadership and Culture

Key leadership vacancies filled, including CAO Municipal Services, Corporate Services Commissioner and Development and Infrastructure Commissioner

Employee engagement survey developed and delivered

General Managers worked with their departments to develop action plans to bolster workforce engagement

Corporate value sessions held with Municipal Services staff to obtain employee feedback and develop values and associated expected behaviours







# financial report

**FINANCIAL REPORT**

# 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, 2014.

I am pleased to submit the City of Medicine Hat Consolidated Financial Statements for the fiscal year ended December 31, 2014.

Most of the information in this report is drawn from the financial information appearing in the 2014 City of Medicine Hat Consolidated Financial Report. That Report is a more detailed and complete financial presentation prepared in conformance with Public Sector Accounting Standards (PSAS) and was audited by the City's independent auditors, KPMG LLP, receiving an unqualified opinion. The statistical, economic and demographic data are taken from various sources and are not PSAS-basis data. Both the Consolidated Financial Report and the City's Annual Report are available for viewing at [www.medicinehat.ca/financialreports](http://www.medicinehat.ca/financialreports).

Most recently, 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, 2013, the twelfth year in a row.

The City provides multiple services to the residents and surrounding area. At a municipal level it provides:

- Protection
- Recreation and culture activities
- Road, bridge, sidewalk and trail maintenance
- City planning and development
- Water, sewer and solid waste management

The City also operates enterprise business units offering the following services:

- Land and property development,
- Natural gas exploration, production and distribution services (Gas Utility),
- Electric generation and distribution

Administration strives to ensure that this report presents fairly the



financial position of this City. The report compares how financial resources were used against budgets and past financial performance.

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

Brian Mastel  
Corporate Services Commissioner  
April 20, 2015

City Council develops a Strategic Plan highlighting priorities, strategies and goals for the planning period. Based on the direction set out by the Strategic Plan, three-year departmental Business Plans are prepared.

These Business Plans communicate each department's alignment with the Strategic Plan and identify:

- the core activities of the department and the aim of each activity
- departmental customers
- opportunities, trends and challenges faced by the department
- goals and objectives to be achieved by the department

Budget guidelines and high level financial projections are developed. Based on these guidelines and departmental Business Plans, departments develop their budget requests. City Council has approved the adoption of a three-year

operating budget with a two-year projection and a three-year capital budget with seven-year projection.

The Administrative Committee reviews departmental budgets and when satisfied that budgets are aligned with the Business Plans, the budget recommendation is presented for City Council 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 10-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 2012-14 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

These highlights provide an overview of the City's financial activities and position for the fiscal year ending December 31, 2014.

## Financial Trend Summary

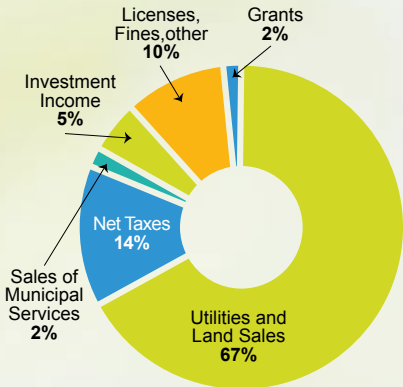
Readers should read this report in conjunction with the accompanying Consolidated Financial Statements and Note Disclosures located on the City's website at [www.medicinehat.ca/financialreports](http://www.medicinehat.ca/financialreports).

The City endured floods in 2010, 2011, 2013 and 2014. As a consequence City expenses have increased due to the recovery costs from these disasters. Fortunately, most but not all of the recovery costs have been offset by Disaster Recovery Programs as well as insurance proceeds.

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.

## Revenue

**Consolidated Operating Revenue by Source**

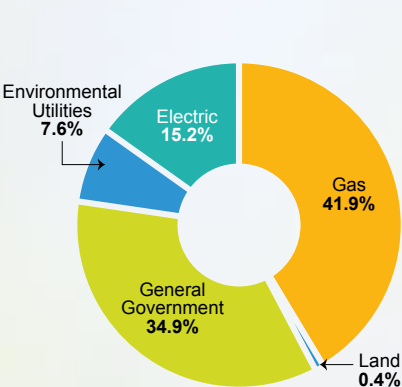


Revenue before capital contributions and grants was \$403.1M versus budget of \$386.4M, largely due to increased electric ancillary sales due to higher market prices, higher investment income due to larger cash reserve balances, higher insurance income due to flood claims and higher charitable gifts. This was offset by lower revenues in utilities sales mainly due to gas and electric revenues being lower as a result of lower volumes than budget.

2014 revenues were lower than 2013 largely due to receiving a settlement of a claim on a power purchase agreement in 2013.

## Expenses

**Consolidated Operating Expenses by Division**

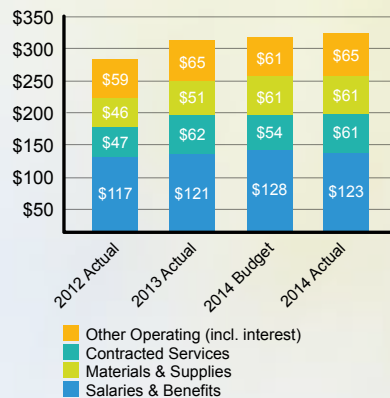


Operating expenses for the year were \$404.9M versus budget of \$371.8M, mainly due to an asset impairment being recognized. Less optimistic forecasts for natural gas and oil prices and higher than expected well abandonment and reclamation costs have resulted in an impairment being recognized for some of the City's natural gas and oil assets.

2014 expenses were lower than 2013 mainly due to a lower impairment recognized in 2014.



## Expenses by Type



The Consolidated Expenses by Object Schedule details 2014 actual (\$404.9M) and budget (\$371.8M) expenses by type. The chart excludes amortization, impairments and disposal expenses. Variances from budget are due to increased abandonment costs, higher contracted services costs due to flood event and lower salaries and benefits due to staff vacancies.

Variances from 2013 are mainly due to inflation increases in materials and supplies and salaries and benefits.

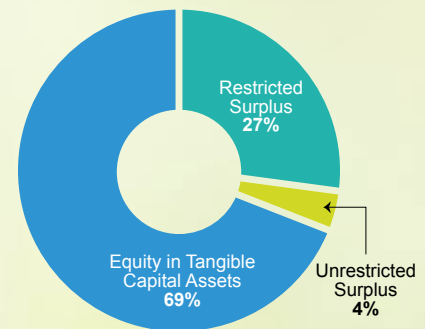
## Capital Expenditures

Capital expenditures were \$160.1M plus contributions from developers of \$1.2M. While the City's approved 2014 budget for capital was \$124.7M, the current expenditures include \$126.0M for projects carried forward from previous budget years.

The 2014 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

### Accumulated Surplus 2014 \$1,340.8 million



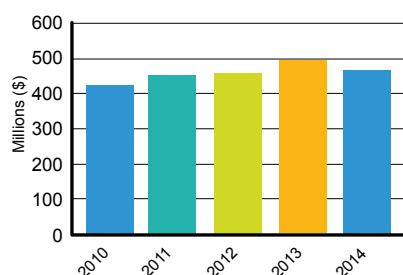
The accumulated surplus on the consolidated Statement of Operations represents the total change in all fund and equity balances for the City of Medicine Hat. During 2014 the consolidated fund and equity balances increased by \$30.4M to \$1,340.8M.

\$53.2M of the accumulated surplus is unrestricted. This is used as working capital to fund day-to-day operating activities of the City. \$364.4M is restricted and is largely dedicated to capital activities of the organization.

Equity in the City's tangible capital assets increased by \$49.0M to \$923.2M as a result of an increase in City assets offset by accumulated amortization and debt.

## Investments

### Investment Portfolio Market Value



Investments, Loans and Advances decreased \$23.5M from 2013 to \$459.0M as a result of funds being used for projects such as the Medicine Hat Regional Event Centre and Family Leisure Center. Funds for the 2014 Disaster Recovery Program were not yet received as at December 31, 2014.

## Rate of Return

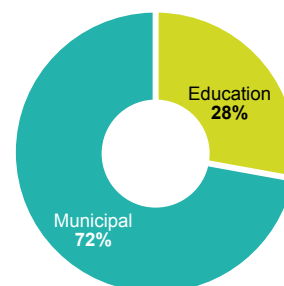


The City of Medicine Hat's investment return for the year ended December 31, 2014 averaged 3.76 per cent underperforming the DEX (formerly ScotiaMcLeod) Universe Bond benchmark index of 6.87 per cent. This is the first time over the last nine years that the City's average portfolio return has underperformed the stated benchmark.

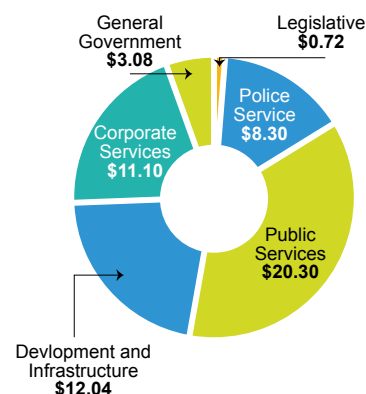
## Municipal Tax Revenue Use

Property taxes contributed \$55.5M (39.3 per cent) of the consolidated General Fund operating expenses of \$141.3M. Other revenue sources mainly include investment interest, sales, government grants, fees and permits.

### Property Tax Dollars



### Use of Municipal Tax Revenue In millions

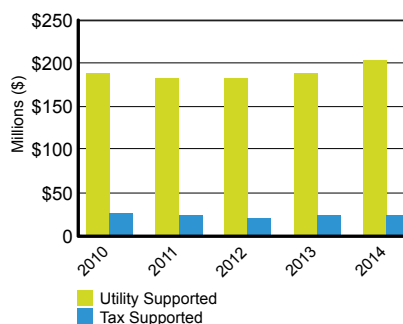


## Long-Term Debt

During 2014, total long term debt increased \$17.2M to \$228.3M as a result of new borrowings exceeding repayments. Total debt principal repayments were \$21.3M and new debt was \$38.5M. \$7.8M was for improvements to Environmental Utility assets, \$10.7M was related to Electric's assets, \$0.4M was for the Gas Utility, and \$2.4M was for municipal infrastructure.

The Minister of Municipal Affairs has prescribed total debt and debt servicing limits for municipalities in the province.

The debt limit is defined as two times revenue net of capital government transfers. Debt servicing limit is not to exceed 35 per cent of revenue. These calculations include loan guarantees in the amount of \$2.6M.



### Debt Levels

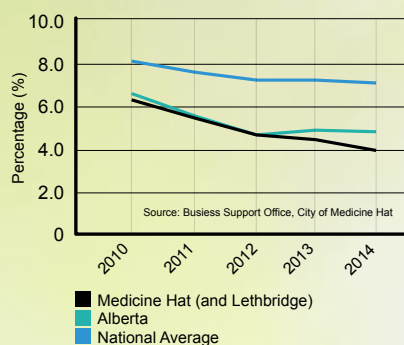
2014	
Total Debt Limit	\$ 847.4
Loan Guarantees	2.6
Actual Total Debt	228.3
<b>Amount Under Limit</b>	<b>\$ 616.5</b> 73%
Debt Servicing Limit	\$ 148.3
Actual Debt Servicing	30.5
<b>Amount Under Limit</b>	<b>\$ 117.8</b> 79%

# STATISTICAL INDICATORS

The statistical, economic and demographic snapshot of any community changes on a regular basis. This information can provide a high-level view of the economic “health” of a community and indicate trends useful for decision makers.

## Unemployment Rate

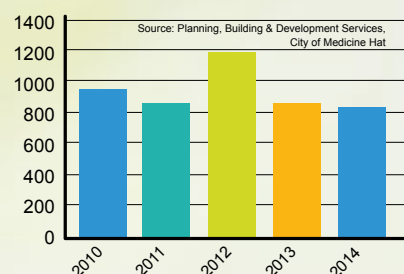
### Annual Average



The unemployment rate in Medicine Hat at the end of 2014 was 2.7 per cent, while the 2014 average was 4.0 per cent. The average Alberta unemployment for 2014 was 4.7 per cent compared to 6.9 per cent for Canada.

## Development Permits

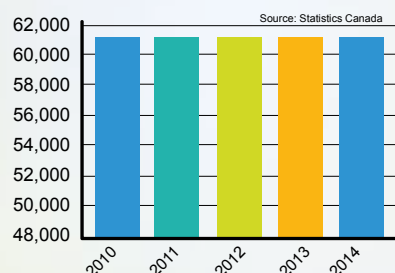
### Permits Issued



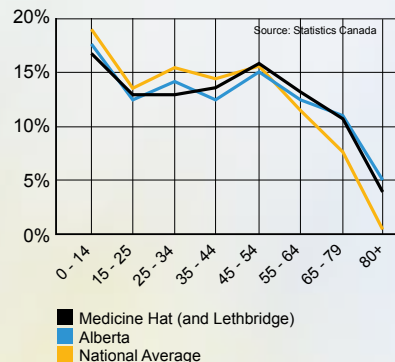
The number of development permits decreased in 2013 and 2014. The primary reason for this drop was the adoption of the new 2013 Land Use Bylaw (LUB). Under the new LUB permits are not required for many minor developments or they can be included in a larger permit. As a result, the new LUB and its simplified permitting system resulted in fewer permits issued.

## Demographics

### Population



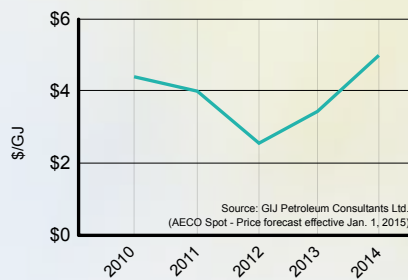
### Age Distribution





## Gas

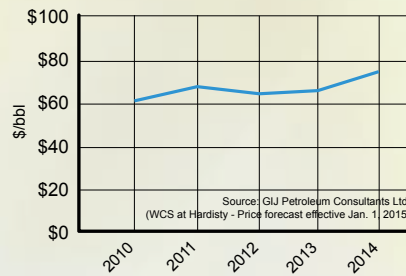
### Natural Gas Historical Commodity Price



The increase in the natural gas price in 2014 was mainly due to storage deficits throughout the year. Prices started to drop near the end of the year due to higher than anticipated production in the United States. 2014 gas production for the City of Medicine Hat was 18,164,746 cubic feet.

## Oil

### Crude Oil Historical Commodity Price



During the first half of 2014, oil prices increased due to geopolitical issues throughout the Middle East decreasing and further threatening production. This led to uncertainty in supply despite the increased production in North America. During the second half of 2014, oil prices started to decline due to oversupply and decreased demand. 2014 oil production for the City of Medicine Hat was 405,513 bbl.

## Principal Employers in Medicine Hat

- Canada Safeway Ltd.
- Canadian Pacific Railway
- City of Medicine Hat
- Goodyear Canada
- Medicine Hat Catholic Board of Education
- Medicine Hat College
- Medicine Hat Regional Hospital
- Medicine Hat School District No. 76
- Real Canadian Superstore
- Wal-Mart

Source: Business Support Office, City of Medicine Hat

## City of Medicine Hat Full-Time Equivalent Employees

	2010	2011	2012	2013	2014
Legislative	5.5	5.5	7.0	6.5	6.5
General Government	40.0	40.0	40.0	40.0	40.0
Corporate Services	139.5	139.5	140.0	134.6	130.6
Public Services	343.1	342.6	350.4	349.4	349.4
Police Service	153.5	156.5	165.0	168.0	165.0
Development & Infrastructure	94.1	96.1	96.3	98.0	98.5
<b>Total Tax Supported Full Time Equivalent Employees:</b>	<b>775.7</b>	<b>780.2</b>	<b>798.7</b>	<b>796.5</b>	<b>790.0</b>
Gas Utility	151.0	153.0	151.0	156.0	155.0
Electric Utility (& Energy Sustainability)	110.8	109.8	117.7	117.7	123.7
Water Utility	38.3	39.3	40.8	41.3	41.3
Sewer Utility	38.2	39.2	39.7	40.2	40.2
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
<b>Total Utility Full Time Equivalent Employees:</b>	<b>377.7</b>	<b>380.7</b>	<b>388.6</b>	<b>394.6</b>	<b>399.6</b>
<b>Total Full Time Equivalent Employees</b>	<b>1,153.4</b>	<b>1,160.9</b>	<b>1,187.3</b>	<b>1,191.1</b>	<b>1,189.6</b>

# CONSOLIDATED STATEMENTS

The consolidated financial statements, supporting statements, notes and schedules, contain comparative results for two prior years, current year results and the approved budget for the operating and capital accounts. The detailed reports can be found under Publications, Plans and Reports at [www.medicinehat.ca](http://www.medicinehat.ca).

## Consolidated Statement of Financial Position (unaudited)

For the year ended December 31, 2014 (in thousands of dollars)

	2014	2013	2012
Financial assets			
Assets	\$ 610,058	\$ 632,274	\$ 561,697
Liabilities	526,228	508,656	466,719
Net financial assets	83,830	123,618	94,978
Non-financial assets	105,474	101,474	98,282
Tangible capital assets	1,151,530	1,085,295	1,088,824
Accumulated surplus	\$ 1,340,834	\$ 1,310,387	\$ 1,282,084

### What are 'net financial assets'?

The amount equal to the total financial assets less the total liabilities. A net financial position indicates that the municipality has the necessary financial resources on hand for future operations

### What is an 'accumulated surplus'?

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

## Consolidated Statement of Operations *(unaudited)*

For the year ended December 31, 2014 (in thousands of dollars)

	2014 Budget	2014	2013	2012
Revenue	\$ 386,364	\$ 403,127	\$ 416,151	\$ 359,966
Expenses	371,786	404,856	425,515	402,849
Excess (deficiency) of revenue over expenses (before other revenue)	14,578	(1,729)	(9,364)	(42,883)
Other revenue				
Capital contributions and grants	8,703	32,176	37,667	29,856
Annual surplus (deficit)	23,281	30,447	28,303	(13,027)
Accumulated Surplus (beginning of year)	1,310,387	1,310,387	1,282,084	1,295,111
Accumulated Surplus (end of year)	\$ 1,333,668	\$ 1,340,834	\$ 1,310,387	\$ 1,282,084

**What is an 'annual surplus'?**  
The excess of revenues over expenses

**What is an 'annual deficit'?**  
The expenses exceed revenues

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



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

For the year ended December 31, 2014 (in thousands of dollars)

	2014 Budget	2014	2013	2012
Annual surplus (deficit)	\$ 23,281	\$ 30,447	\$ 28,303	\$ (13,027)
Increase in tangible capital assets	(122,757)	(167,931)	(124,415)	(127,884)
Amortization/Disposal of tangible capital assets	68,582	94,977	126,865	134,052
	(30,894)	(42,507)	30,753	(6,859)
Acquisition/Consumption of inventories and supplies	-	(129)	857	368
Net transfers (acquisition) of land held for future development	(3,641)	3,267	(2,703)	(376)
Acquisition/Consumption of pre-paid assets	-	(419)	(267)	(16)
	(3,641)	2,719	(2,113)	(24)
Increase (decrease) in net financial assets	(34,535)	(39,788)	28,640	(6,883)
Net financial assets, beginning of year	123,618	123,618	94,978	101,861
Net financial assets, end of year	\$ 89,083	\$ 83,830	\$ 123,618	\$ 94,978

## Consolidated Statement of Cash Flows *(unaudited)*

For the year ended December 31, 2014 (in thousands of dollars)

	2014	2013	2012
<i>Net inflow (outflow) of cash related to the following activities:</i>			
Operating			
Annual surplus (deficit)	\$ 30,447	\$ 28,303	\$ (13,027)
Non-cash items included in annual surplus	89,954	120,325	130,465
Non-cash changes to operations (net change)	(521)	26,138	2,987
Cash provided by operating transactions	119,880	174,766	120,425
Cash applied to capital transactions	(166,391)	(122,847)	(127,491)
Cash provided by (applied to) investing transactions	36,714	(43,709)	(3,133)
Cash provided by (applied to) financing transactions	17,140	4,875	(2,382)
Change in cash and equivalents during the year	7,343	13,085	(12,581)
Cash and cash equivalents, beginning of year	13,432	347	12,928
Cash and cash equivalents, end of year	\$ 20,775	\$ 13,432	\$ 347
Cash and cash equivalents consist of the following:			
Cash	\$ 59,753	\$ 65,050	\$ 43,612
Less: restricted portion of cash and temporary investments	(38,978)	(51,618)	(43,265)
Total	\$ 20,775	\$ 13,432	\$ 347

**For additional copies of the 2014 Annual Report contact:**

**Chief Administrative Officer**

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**Medicine Hat**  
The Gas City

Thank you to all those who had their  
photographs taken for this document.

The 2014 City of Medicine Hat Annual Report was  
prepared and produced by the City of Medicine Hat  
Corporate Communications and Finance Departments.



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