



2019

City of  
Medicine Hat

# 2019 Annual Report

Medicine Hat, Alberta • December 31, 2019





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A winter landscape photograph featuring snow-covered trees and a frozen stream. The image is overlaid with a large, semi-transparent geometric design consisting of several overlapping triangles in shades of blue and green. The text 'CORPORATE GOVERNANCE' is written in white, uppercase letters on the blue triangle.

# CORPORATE GOVERNANCE



# MAYOR'S MESSAGE

While 2019 was marked with challenges, it was also a year of growth for commercial development in Medicine Hat.

The City's south end drew attention from residents and local media throughout the year. Several anchor tenants, including Save-on-Foods and Bed, Bath & Beyond, opened their doors in Strachan Corner. The Canalta Group continued work on 17 acres of land to the west. Further still, two new hotels were built, helping to support work crews in a variety of sectors while providing jobs and lifting our local economy.

Important infrastructure projects continued, helping to further build and shape our community. These projects ensure safe, reliable infrastructure for residents and businesses in Medicine Hat, and spurred the development we saw in the commercial areas.

The City of Medicine Hat partnered with other organizations to launch the Business Retention and Expansion and Workforce Development project, and made economic development a priority by bringing Invest Medicine Hat within the City's operation and combining it with other important economic drivers including land and sales, business development, and marketing.

The year also brought great change for an important piece of the City's history. After an extensive four-year process to find efficiencies and new opportunities in a depressed oil and gas market, the City of Medicine Hat made the difficult decision to accelerate abandonment and reclamation of uneconomic gas fields. By the end of 2022, it is expected that over 2000 producing wells will be abandoned.

Additional uncertainty occurred with the announcements surrounding Aurora Cannabis. The 1.6 million square foot facility,



known as Aurora Sun, was expected to employ 750 people, making it the second largest employer in the City. We still expect to see the Aurora Sun project reach its full potential, just at a slower pace than originally anticipated.

Through these trying times, we must look towards the future. I'm confident we'll see growth in residential development, having seen the interest in a new community being built in the south. Though 2020 has already brought significant challenges, I am hopeful that our concerted efforts related to economic development will bring positive outcomes to our great community.

I encourage you to read on and learn more about our successes and challenges in 2019.

A handwritten signature in black ink that reads "Ted Clugston". The signature is stylized with a large "T" and a long, sweeping "C".

**Ted Clugston**

Mayor

April 20, 2020

# CITY COUNCILLORS



# ADMINISTRATIVE COMMITTEE



Mayor



Chief Administrative Officer



Commissioner  
Corporate Services



Commissioner  
Public Services



Commissioner  
Energy & Utilities



Commissioner  
Development & Infrastructure



City Solicitor



City Clerk

# CAO'S MESSAGE

Reflecting back over 2019 reveals a year of meaningful accomplishments and significant, formidable challenges for the City of Medicine Hat.

In terms of challenges, a prevailing theme that perhaps dominated the year was the need to accelerate abandonment and reclamation of uneconomic natural gas wells. Prolonged, depressed market conditions and no realistic sign of sufficient relief in the planning horizon made this decision unavoidable. In our community, where Medicine Hatters forged a legacy out of extraordinary accomplishments in the natural gas business, this was a very difficult decision. Like so many others in the Western Canadian Sedimentary Basin though, when unit costs of production and delivery exceed unit prices on the market, prudence dictates that we must abandon the uneconomic assets. As an exceptionally responsible producer, we are engaging appropriate abandonment and reclamation measures on uneconomic assets and we will continue producing economic oil and gas assets.

In terms of accomplishments, the City of Medicine Hat is increasingly a community of choice, with residents proudly touting the Medicine Hat Advantage. Even in the midst of challenging economic circumstances, this advantage remains alive and well; the numbers bear this out. A comparison of Medicine Hat to other municipalities reveals that our community enjoys top-tier local government facilities, amenities and services while experiencing some of the lowest utility rates and property taxes provincially and across the country.

The Medicine Hat Advantage is critically important to our community and we are relentless in our efforts to preserve and enhance this defining attribute. To combat a sluggish economy in 2019, we amplified our approach to economic development by consolidating our investment attraction, business development, land development and land sales, and marketing and communications areas into our new Invest Medicine Hat (IMH) organization. IMH is dedicated to supporting and growing our economy with a focused and disciplined approach to innovation, economic development, investment attraction and business expansion and retention.



In 2019 we also progressed our disciplined ten-year Financially Fit for the Future journey to reduce municipal reliance on volatile revenues from our commodity-based assets. This journey began in 2016 with a challenge to replace \$23 million in annual revenue through cost reductions and revenue growth. At the conclusion of 2019, we are 33% of the way there with \$7.6 million in financial solutions developed and executed. We still have a journey ahead of us, but we are committed to accomplishing this objective with the utmost consideration for community needs and a healthy, sustainable future.

Though 2020 has all of us distracted with new, unexpected challenges, I encourage you to read on and learn more about our 2019 accomplishments and challenges as we work to preserve and enhance the Medicine Hat Advantage.

A stylized, handwritten signature in black ink, consisting of a series of fluid, connected strokes.

**Robert Nicolay**  
Chief Administrative Officer  
April 20, 2020



# 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, Director, Economic Development, IMH

## 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, S. Blyth, Director, Economic Development, IMH

## POLICE COMMISSION

Councillor J. Friesen

Councillor R. Dumanowski

## SHORTGRASS LIBRARY SYSTEM

Councillor P. Turnbull

## SUBDIVISION & DEVELOPMENT APPEAL BOARD

Councillor J. McIntosh

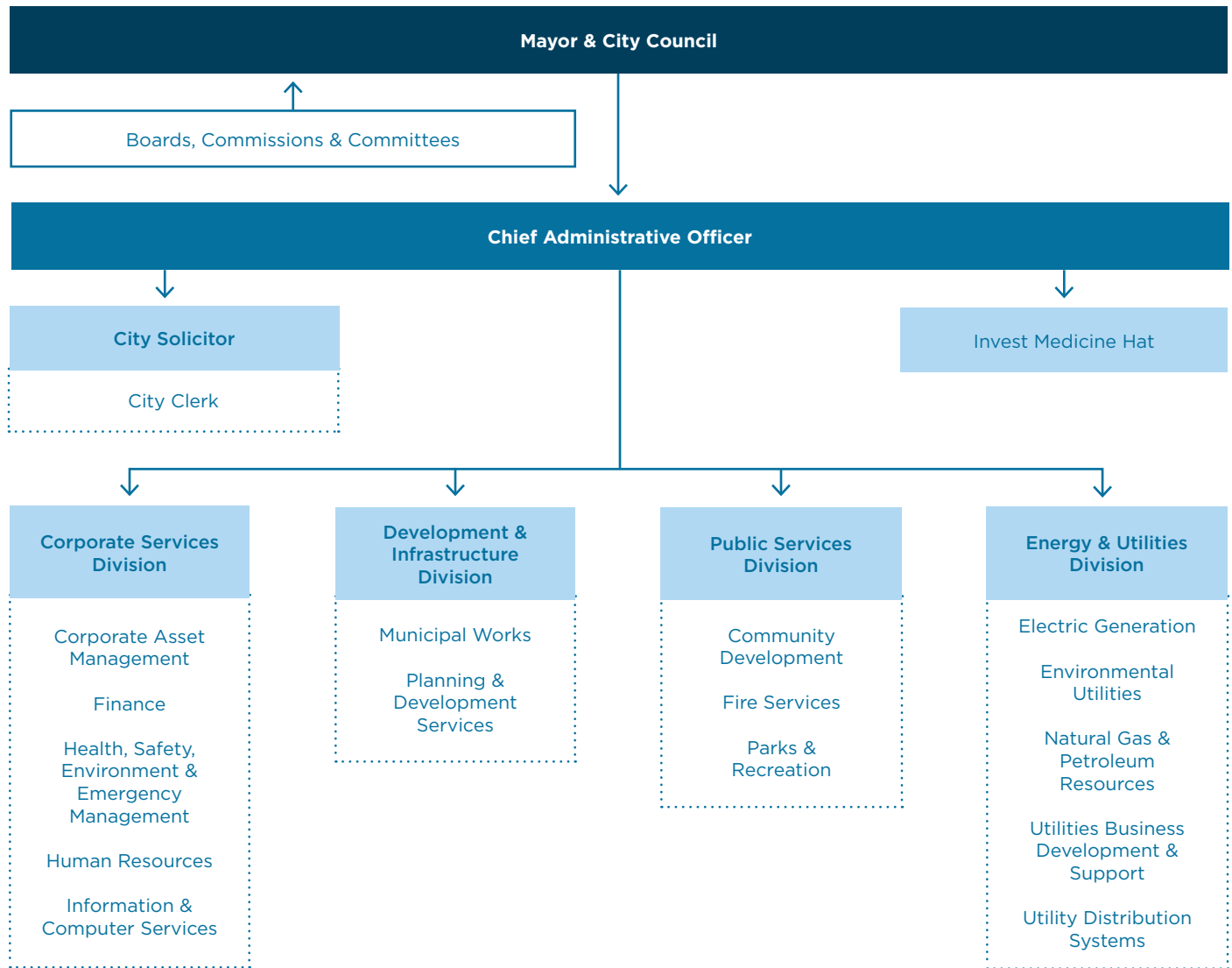
Councillor J. Turner

## TOURISM MEDICINE HAT COMMITTEE

Councillor B. Varga



# ORGANIZATIONAL STRUCTURE



A photograph of a brown deer running from left to right over a wire fence. The deer is in mid-leap, with its front legs tucked and back legs pushing off. The background shows a grassy field, a house, and rolling hills under a clear blue sky. The image is overlaid with green geometric shapes: a large triangle on the left and bottom-left, and a smaller triangle on the bottom-right.

## STRATEGIC PRIORITIES



# CITY GOVERNMENT

## RECYCLING AWARD OF EXCELLENCE

The City of Medicine Hat's Waste Management Facility was honoured with a Collection Site Award of Excellence at the 2019 Alberta Coordinated Action for Recycling Enterprises (CARE) Conference held in Peace River, Alberta. The award was presented in recognition of the City's exceptional dedication to providing electronics, paint and tire collection sites that are organized, convenient and safe for the community to use.

## UNIT 17

City Council approved a recommendation to proceed with Phase 2 of the new Unit 17 power plant. This phase required the City to gain approvals to build the power plant from the required regulators, Alberta Environment & Parks (AEP), and the Alberta Utilities Commission (AUC). The applications were submitted in March and approvals were received in late August. Phase 3 involves the evaluation of construction options, with a final decision on the unit expected in early 2020.



**The City aims to stand out as a well-governed, organized, and accessible organization that is transparent, accountable, and responsive to community needs and expectations, and supports a positive employee culture.**

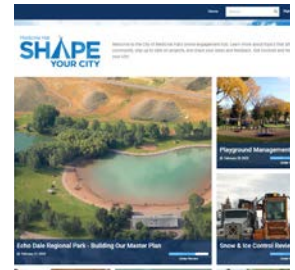
## CUSTOMER SERVICE CALL CENTRE

The Customer Service Call Centre assisted 68,800 customers in 2019 and achieved a 90% satisfaction rate, exceeding the Alberta Utilities Commission standard of 75%.

In December 2019, cashiers co-located with customer service on the main floor of City Hall to better serve customers by providing one location for their service needs.

## LAUNCH OF PUBLIC PARTICIPATION WEBSITE

In June, the Shape Your City website was launched to support public participation efforts. Able to facilitate polls, surveys, discussion forums, and more, the Shape Your City site allows community members an opportunity to learn more about City projects and provide input and feedback. The site can be found at [shapeyourcity.medicinehat.ca](https://shapeyourcity.medicinehat.ca).



## INFLUENCING INDUSTRY BEST PRACTICES

The Utility Distribution Services department participates in various expert panels throughout Alberta. These panels advise industry and the Government of Alberta with respect to new standards, regulations, and industry best practices. Participation ensures the City of Medicine Hat is on the forefront of a rapidly changing regulatory environment. In 2019, the City of Medicine Hat participated in:

- Joint Utility Safety team for the Alberta Electric Utility Safety Association
- Electric Sub-Council for the Alberta Safety Codes
- Technical Performance Exploration Group for the Alberta Electrical System Operator (AESO)
- Alberta Electrical System Operator Distributed Energy Resource Leadership Committee
- Gas Technical Standards Committee for Alberta Rural Utilities
- Alberta Utilities Committee Distribution Inquiry

## CONSOLIDATION OF ELECTRIC & GAS DISTRIBUTION SERVICES

Electric Distribution and Gas Distribution consolidated administration, engineering, and operations into a single workspace in 2019. The purpose of the consolidation was to increase overall financial efficiencies while maintaining or exceeding current service levels. The consolidation also included the development of a single window approach for City business partners in an effort to increase transparency and efficacy of the services offered to partners in the community. This effort was part of the broader Financially Fit initiative ensuring high-quality, sustainable services while demonstrating fiscal responsibility.

## BROWNFIELD TAX INCENTIVE

The City of Medicine Hat passed a bylaw allowing multi-year tax exemptions on eligible brownfield properties, one of the first municipalities in the province to do so. Based on new provisions in the Municipal Government Act (MGA), the bylaw allows the City to grant multi-year tax exemptions, reductions or deferrals on specific brownfield properties to encourage brownfield development. A brownfield is a commercial or industrial property, other than designated industrial property, that is all of the following:

- contaminated or possibly contaminated;
- vacant, derelict or under-utilized; and
- suitable for development or redevelopment for the general benefit of the municipality.

## GFOA AWARD

The City of Medicine Hat received three awards from the Government Financial Officers Association:

- Canadian Award for Financial Reporting for the year ending December 31, 2018. This is the 17th consecutive year that the City has received this award. A Canadian Award for Financial Reporting Achievement was also provided.
- Award for Outstanding Achievement in Popular Annual Financial Report for the year ending December 31, 2018. This is the seventh consecutive year that the City has received this award.
- Distinguished Budget Presentation Award for the budget period 2019 - 2022. This is the first year that the City has applied for and received this award.





# SUNSHINE HOSPITALITY

## ALBERTA PUBLIC ART NETWORK SUMMIT

The 2019 Alberta Public Art Network Summit brought together 50 public art experts, artists and thought leaders for three days at the Esplanade Arts and Heritage Centre. The summit consisted of panels, discussions, lectures and tours and explored the relationship between public art and our contemporary context as well as public art's responsiveness to and importance in our everyday lives. Participants discussed and considered where and how public art can change, be reconsidered, be refocused and reconstituted. Keynote speaker David Garneau, a visual arts professor at the University of Regina, addressed the idea of the indigenous voice in public art.



**Capitalizing on the recreational, cultural and natural assets of the community to promote tourism, wellness and quality of life continues to be a focus for the City of Medicine Hat. The following highlights demonstrate this priority.**

## 2019 SENIORS' WEEK PROVINCIAL LAUNCH EVENT

The City of Medicine Hat was selected to host the provincial launch event for Seniors'

Week on June 3, 2019 at the Veiner Centre. Alberta's Minister of Seniors and Housing, Josephine Pon, attended the Provincial launch event, which served to also showcase the centre as a hub for seniors activity in the community. More than 250 people attended the launch and joined in recognizing the value and contributions of seniors to the community. Feedback from participants and exhibitors for all the week's events was positive and all seemed to enjoy an opportunity to come together to celebrate the important role seniors play in the province.



## AIRPORT ACTIVITY SUMMARY

In 2019, 75,000 passengers used the Airport with 24,538 aircraft movements (takeoffs and landings), including 716 medevac flights.

## WORLD UNDER-17 HOCKEY CHAMPIONSHIPS

The cities of Medicine Hat and Swift Current hosted the World Under-17 Hockey Championships from October 31-November 9, hosting teams from around the world. The completed impact study showed total net economic activity generated by the event was \$2.9 million for the two cities. Hockey Canada, fans, and players attending events in both communities indicated the tournament was entertaining and very successful. The event relied upon more than 200 volunteers from the community who helped organize and successfully host this world-class event. Medicine Hat Minor Hockey Association also received significant support in the amount of \$23,800 for their portion of the 50/50 revenue during the games.



## 55+ ALBERTA SUMMER GAMES HOST

Medicine Hat hosted the 55+ Alberta Summer Games July 4-7, 2019. Over 750 participants from eight zones across the province travelled to Medicine Hat to compete in 16 sports. The City of Medicine Hat provided partial funding and free facility use for the games. Nearly 400 volunteers from the community helped make the event possible, along with financial support from numerous local businesses. The economic impact for Medicine Hat is estimated at \$1.08 million over the course of the four days.



## SPECIAL OLYMPICS CANADA SUMMER GAMES 2022

In October, Special Olympics Canada announced that Medicine Hat was successful in its bid to host the Canada Summer Games in August, 2022. Over 3,000 athletes, coaches, mission staff, technical officials, family members, and Special Olympics sponsors will arrive in Medicine Hat for the games. With competition in ten different sports, these games will be the qualifying event for athletes to attend the Special Olympics World Games in Berlin, Germany in 2023. The City of Medicine Hat has committed partial funding, along with free facility use during the games. The estimated economic impact from this event for the Medicine Hat area is \$8 million.

## ELECTRIC VEHICLE CHARGING STATIONS

The City and Medicine Hat College joined the Peaks to Prairies Electric Vehicle Network initiative to establish a network of Electric Vehicle (EV) fast-charging stations across Southern Alberta. As project partners, the City and Medicine Hat College committed funding to support the development of a site at the Medicine Hat Mall.



The South Alberta EV Network was completed in 2019 with 13 municipalities participating. The network will address a gap in charging infrastructure and related EV “range anxiety” across southern Alberta with additional benefits of facilitating tourism, reducing greenhouse gas emissions and supporting economic development.



# ECONOMIC VITALITY

## INVEST MEDICINE HAT

In 2019, the City announced that the Invest Medicine Hat (IMH) function would be brought in-house after operating via an external contract for the previous four years. The new Invest Medicine Hat continues to focus on investment attraction, but with a more comprehensive economic development approach that includes land development and sales, and marketing and communications. The move furthers the City's strategy to promote, enable and facilitate economic vitality and community vibrancy.

Since 2015, IMH has been instrumental in bringing nine business investments into Medicine Hat, with an estimated 741 jobs and \$186 million in investment.



**Growing and diversifying the economy remains a priority for the City of Medicine Hat. By facilitating business, industry and tourism investment, the City contributes to increased employment, superior quality of life, and a vibrant, thriving community.**

## BUSINESS RETENTION AND EXPANSION AND WORKFORCE DEVELOPMENT (BREWD)

With goals to foster collaboration of business, government, and service agencies to represent the broader interests of the southeast economy; engage and take counsel from business and industry; and cultivate an adaptable, responsive, and competitive business environment; the Invest Southeast Alberta group coalesced in 2019. Made up of the City of Medicine Hat, Medicine Hat College, Community Futures Entre-Corp, Verge Economic Development, City Centre Development Agency, the Medicine Hat and District Chamber of Commerce, and Tourism Medicine Hat, the group focused their 2019 effort on launching the Business Retention and Expansion and Workforce Development initiative.

Investment in the BREWD project resulted in eight business champions, 103 volunteers, and 476 completed business surveys. Approximately 60 stakeholders participated in research review meetings. The work complements and enhances the work of Invest Medicine Hat and impacts Medicine Hat, Redcliff, Bow Island, Cypress County, and the County of Forty Mile.

## DEVELOPMENT INVESTMENT READINESS TEAM (DIRT)

The Development Investment Readiness Team (DIRT) brings together functions from throughout the City operation to facilitate a streamlined, business friendly environment that is globally competitive and leads the transformation of Medicine Hat and region into a high-performing economy. In 2019, 34 lead opportunities were facilitated through DIRT, with one investment lead captured and an estimated 1475 jobs created (or to be created) and \$2.1 billion in estimated investments captured (or to be captured).

The commitment to work collaboratively with potential investors and developers across departments resulted in higher awareness of opportunities, improved communication, and increased understanding of competitive advantages and investment opportunities within key target sectors.

Since its inception in 2016, DIRT has developed new tools and automated systems to profile investors and promote investment opportunities, new processes to more efficiently serve investors, and new projects and opportunities to collaborate and identify areas where greater efficiencies and investments can be realized.



## FUTURE GAS SUPPLY

Due to declining local and regional gas production and pricing, the City determined there are advantages to greater reliance on delivery of natural gas from the Nova Gas Transmission system. The City initiated a strategic review to ensure future supply for continued residential and business use and to accommodate growth in the community. The current four-year lead time to access new gas transportation supply necessitated a proactive approach to sign up for additional delivery beginning in April, 2023.

The new contracted levels will provide sufficient natural gas transportation going forward and the City can optimize these natural gas transportation contracts for any changes to market conditions going forward.

## LAND SALES

In 2019, sales of single family and duplex lots were relatively slow with only 15 lots sold. However, there was moderately strong demand for multi-family, commercial and infill lots. Sales proceeds were over \$2.5 million.

Of the 14 properties acquired through the 2013 Flood Acquisition Program in the River Flats area, three properties were sold in 2019 with another three closing in 2020, leaving only three remaining for sale (five sold prior to 2019).

The intent of the Flood Acquisition Program is to facilitate redevelopment in the River Flats area. Strong sales for multi-family, commercial and infill lots are expected for 2020.



## AIRPORT NORTH NODE PHASE I

Initiated in 2017, this past year saw the completion of construction of the Airport North Node Phase I (west side) Airport Commercial subdivision, branded as the YXH Gateway. The subdivision incorporates servicing of two new groundside airport commercial lots coupled with developable airside lease land for future hangar construction, as well as construction of a new road that meets current design standards.

Both the groundside commercial lots and airside lease land are available for sale or lease. A Land Use Bylaw amendment was adopted by Council and the City which will promote the airport as a viable commercial and business node. Investment for the Airport North Node Phase I was approximately \$2 million.

Airport North Node Phase II (Gateway) detailed design is underway with proposed construction in 2020.

## 138 kV ELECTRIC TRANSMISSION UPGRADE

To ensure sustainable and timely provision of services for a vibrant and growing community, the final 7.2 km were completed in a ten-year upgrade program which included a total of 26 km, 138 kV transmission lines and substation upgrades at eight sites. The project also included relocating the Alberta Energy Interconnected System (AEIS) intertie out of the flood risk area.



## INFILL DEVELOPMENT

To support City Council's focus of selling land that is not part of the City's land development strategy, nor required for municipal purposes (with a focus on intensification and private development) approximately 30 City properties were identified as prospective sale offerings.



In September 2018, Council approved the sales and pricing strategy for four properties marketed via an expression of interest. Three of the four infill properties sold in 2019 for development with sale proceeds of over \$1.5 million.

In addition, the City entered into three different agreements to sell the following infill sites:

- 603 1 Street SE
- 352 Primrose Drive SE
- 511 4 Avenue NE

These sales are anticipated to close in 2020. Redevelopment is desirable for existing neighbourhoods, as development of these sites contributes positive property tax revenue to the City with more efficient use of existing infrastructure and a negligible incremental draw on services.

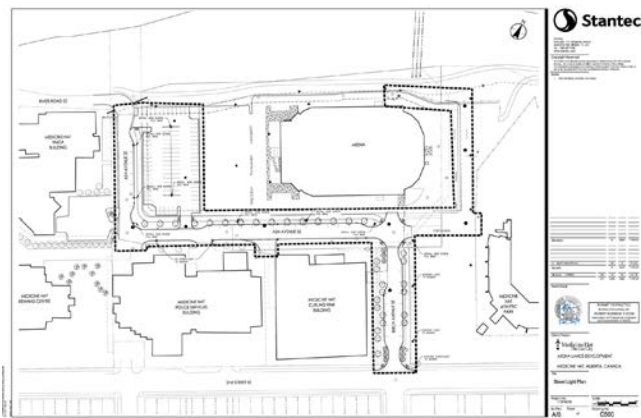
# RANCHLANDS 3C FUNCTIONAL SERVICING REPORT & DETAILED DESIGN

Initiated in 2014, the functional servicing report for the Ranchlands 3C residential subdivision was approved in 2019 and detailed design engineering is expected to be approved in 2020. The subdivision incorporates approximately 180 single family residential lots, two multi-family lots, two landscaped parks, boulevard trees and a trail design that connects residents to the city-wide trail system, promoting walkability and alternative transportation with scenic views of the river valley. It also includes a large off-leash dog park.



# ARENA LANDS REDEVELOPMENT

Council approved the subdivision of the existing Arena Lands into two separate lots (one approximately three acres for large-scale redevelopment and the remainder for YMCA parking). The subdivision meets all priorities of the existing and upcoming Municipal Development Plan for intensification and infill development, and adheres to the existing River Flats Area Redevelopment Plan. The investment is expected to increase both residential and commercial tax bases. The Arena Lands Redevelopment is also the first test case of the City’s new Brownfield Tax Incentive, where a multi-year tax exemption may be provided to spur development on sites that are or may be contaminated; are vacant, derelict or under-utilized; and are suitable for development for the benefit of the municipality.



# COMMUNITY SAFETY & VIBRANCY

## LAWN BOWLING CLUBHOUSE REPLACEMENT

Having surpassed its lifecycle, the lawn bowling clubhouse on 3 Street and Division Avenue was replaced with a portable, modern building to better meet facility standards, user requirements and allow for flexibility in location. The previous facility was incurring significant operating costs, and upon performance of a risk and hazardous materials assessment, it was designated for demolition and replacement. Hazardous material abatement, demolition and site reclamation were performed to allow installation of a modern modular unit. The demolition, reclamation and installation costs for the new facility totaled \$190 thousand.

## COMMUNITY WARMTH

The Community Warmth Program supports customers who struggle to pay their utility bills and are facing disconnection. In 2019, the Community Warmth Program helped 73 families pay their utility bills with \$26,803 in support. Residents interested in supporting the Community Warmth Program can contact Customer Service to make a monthly donation of \$1 or more directly through their utility bill.

**The City of Medicine Hat is committed to maintaining safety while building a vibrant community with a high quality of life.**

## INTRODUCTION OF LEGALIZED CANNABIS

City staff continued to monitor local trends and community response following the legalization of cannabis in October 2018. Medicine Hat Police Service reported receiving minimal complaints related to cannabis consumption in 2019 and other organizations and agencies, including festival and event producers, concurred.



In addition to federal and provincial legislation, the City's Smoke-Free Outdoor Public Places Bylaw governs where cannabis can be consumed in public spaces. As of December 31, 2019, 14 cannabis retail stores had been granted temporary (provincial approval outstanding) or permanent City business licenses.



## CONTRACTOR SAFETY MANAGEMENT

In January, 2019 the City implemented a contractor management system called ComplyWorks to support the City in managing its contractors efficiently, effectively and safely. There are 614 contractors now registered in the system, of which 75% hold a “low risk” status. During 2019, the City engaged with a large number of contractors and assisted them in completing the compliance process. This initiative has helped to improve the safety of both contractors and the overall community.

## SENIORS CENTRE COMMUNITY CONSULTATION

To promote community vibrancy and financial sustainability, a consultation process to better understand the needs and values of Medicine Hat’s rapidly changing seniors demographic occurred. The feedback will help define the scope of senior services being provided, better targeting the needs and wishes of seniors today and into the future, and inform the City’s efforts to determine if an alternate operating model can deliver more efficient and effective services to seniors. The engagement techniques used included in-person interviews, engagement kiosks at public-facing facilities, digital and paper surveys, focus groups, and public consultation sessions.



## FULL-SCALE EMERGENCY EXERCISE

In June, 2019 The City delivered a full-scale emergency exercise. The exercise scenario was played out in real time with simulated casualties and incidents that challenged the participants. The exercise was designed to evaluate the organization’s ability to respond to large-scale incidents.



Over 250 people were directly involved in the exercise, testing the City and its local and provincial partners in dealing with a mass-casualty event which included an evacuation.

The initiative helped to ensure the community develops resilience to unexpected emergencies and is able to prevent, mitigate, prepare, respond and recover during the most testing of times.

## MUNICIPAL DEVELOPMENT PLAN REVIEW

The Municipal Development Plan (MDP) is the City’s guide and blueprint outlining a vision for the future of the community. This is a multi-year project, and 2019 saw the completion of important phases of public and stakeholder consultation, as well as the preparation of the draft plan.

Once approved the MDP will guide all of the City’s development and infrastructure decisions. It is expected to be adopted in 2020.

## STRATHCONA CENTRE RENEWAL

A \$1.2 million renovation was undertaken at Strathcona Centre to ensure the safety and comfort of users at the facility. The work included replacing the HVAC equipment and fire alarm system, roof upgrades and recladding of the exterior of the facility. Additionally, barrier-free access was installed at the front entrance to better accommodate visitors with mobility aids.



New hours of operation were implemented upon reopening of the facility, driven by a review of the facility's utilization data. The new hours allowed for reallocation of resources and provision of new high-quality fitness programming for seniors.

## FIRE STATION #1 BOAT LAUNCH

The City continues to encourage recreational use of the South Saskatchewan River, and the safety of residents is of critical importance. Preliminary design work was completed for a boat launch at Fire Station #1. Residential and visitor river use is popular in the summer months, and having a rapid response by Fire Service in a water rescue situation can be lifesaving. Detailed design and estimates are currently underway, and a capital project funding request is planned for the 2023-2026 budget cycle.



## URBAN ABANDONED WELL MANAGEMENT SYSTEM

Natural Gas and Petroleum Resources (NGPR) researched, tested and incorporated technological advances and innovative ideas including installation of methane expelling and monitoring systems for historical urban abandoned wellbores in order to ensure community safety. A protocol "Working in Proximity to Abandoned Wells within the Municipal Limits of Medicine Hat, Redcliff, and Dunmore", along with a corresponding smartphone app to ensure adequate safety measures when undertaking development or maintenance near abandoned wells was released.



NGPR has assisted ATCO, the Orphan Well Association, and the Cities of Edmonton and Lethbridge regarding urban abandoned well management.

New technologies including small-scale incinerators, conversion of vent gas to electricity and improved downhole methodology continue to be explored in the management of abandoned wellbores within City limits.

## HAT SMART

HAT Smart is a popular, award-winning environmental initiative, mandated to educate consumers and promote energy conservation and renewable energy initiatives. HAT Smart benefits residential customers and is funded by high-consumption electric and gas residential utility customers through an Environmental Conservation Charge.



In 2019, rebates were offered for solar electric, EnerGuide for new homes, Energy Star clothes dryers, air conditioners, and a scratch & win opportunity towards eligible purchases. A total of 232 rebates were paid (\$197,921) as follows:

- Solar: \$152,130
- EnerGuide Ratings: \$26,500
- Scratch & Win: \$7,766
- Clothes Dryers: \$2,775
- Air Conditioners: \$8,750

## BUNDLE UP CHALLENGE

The first bundle up challenge to reduce natural gas consumption was launched in January, 2019. This city-wide energy reduction contest encouraged participants to reduce natural gas usage by 5% or greater compared to their January 2018 consumption. City of Medicine Hat gift cards were awarded to the top three entries. In total, 80 participants signed up for the challenge, and the average reduction among participants was 17.3%, with the winners reducing their consumption by 42%. The total natural gas reduction amounted to 248 GJ.

## POWER DOWN CHALLENGE

The City held its second power down challenge during the month of August 2019, asking participants to reduce electricity usage by 5% or greater compared to their August 2018 consumption. City of Medicine Hat gift cards were awarded to the top three entries. In total, 215 customers signed up for the challenge, and the average reduction in electricity consumption was 3.39%. The winning participant reduced their usage by 50%, and the total power reduction resulting from the initiative was 8,543 kWh.

## BOX SPRING ROAD AND AREA POSTED SPEED LIMIT REVIEW

A technical assessment of engineering design and existing road conditions along the Box Springs road corridor from Highway #1 ramps to 52 Street NW, Broadway Avenue NW and Saamis Drive NW from Box Springs Road to City limits was completed to ensure vehicle safety will 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 on Box Springs Road was changed to a constant 60 km per hour from Highway #1 ramps to north of Methanex main access, thus providing continuity along the corridor. The posted speed limit on Broadway Avenue was lowered to 70 km per hour, consistent with other similar roads in the City's transportation network. The new posted speeds were implemented in July, 2019.



## RIVERBANK CLEANUP

The City joined the Great Canadian Shoreline Cleanup, a national effort to organize an inaugural river cleanup event in August. Approximately 40 participants joined the effort to clean up litter along the riverbank as well as Strathcona Park. The City also organizes a litter blitz event every spring to keep natural environments clean all year round.



## RIVERSIDE OVERLAY LAND USE BYLAW AMENDMENT

An amendment to the City's Land Use Bylaw intended to allow more design freedom and redevelopment projects in the Riverside neighbourhood was approved in 2019. The amendment also provides the neighbourhood assurance that redevelopment projects will feature appropriate designs that fit the neighbourhood context. Redevelopment in established neighbourhoods can be challenging, and these new rules are intended to support reinvestment in these areas.



## TRANSIT DOUBLEMAP

In July, 2019 Medicine Hat Transit implemented DoubleMap, an intelligent transit system that provides Automated Vehicle Locator (AVL) technology and passenger count information. The main purpose of the project was to improve access to bus schedule and location information for customers in the form of a transit phone app and website. The system also provides management with important ridership data to support effective service planning decisions. Staff can gather passenger boarding data per bus, per route and by day/time. Public response at outreach and information events has been very positive. The cost of the project was \$180,000 and was funded entirely through Provincial and Federal funding.



## CIMARRON AREA STRUCTURE PLAN AMENDMENT

The Cimarron Area Structure Plan (ASP) was amended to allow for a private development - Coulee Ridge - to advance. This out of sequence development required creativity to support a private developer in their aspirations to open up the new growth node of Cimarron in the City's south end. Staff worked collaboratively with the private developer to ensure technical and legislative requirements were met, while achieving the community's expectations for new neighbourhoods.

# TRI-AREA INTERMUNICIPAL DEVELOPMENT PLAN & INTERMUNICIPAL COLLABORATION FRAMEWORK

The Tri-Area Intermunicipal Development Plan (IDP) is an important regional land use and development plan that the City, Town of Redcliff and Cypress County commit to follow as our region grows over the next 50 years. The Intermunicipal Collaboration Framework (ICF) is a new regional document that outlines how the three parties communicate, come to agreements and explore ways to provide efficient services to our respective residents.

Both are multi-year projects. In 2019, important phases of public and stakeholder consultation were completed, and the draft plan was prepared. Once approved, the IDP and ICF will guide our regional growth for the next 50 years. The IDP and ICF are expected to be adopted in 2020.

# FIREWORKS BYLAW

In April, 2019 restrictions on the sale and usage of consumer fireworks were removed from the National Fire Code, Alberta Edition.

As Medicine Hat experiences an arid climate and has coulees and other natural areas that border residential and commercial properties that are both susceptible to wild fires and difficult for fire control to access, a fireworks bylaw restricting the use of fireworks through a permit process was enacted by City Council in December.



# BRIER RUN AREA STRUCTURE PLAN

The Brier Run Area Structure Plan was adopted by Council in late 2019. Comprised of two separate infill quarter sections of land, Brier Run is located in the City's north end adjacent to the Family Leisure Centre. Combining a mix of residential, commercial and light industrial land uses, Brier Run promotes a live, work, play lifestyle with a vast trail system that encourages active living, and uses the Family Leisure Centre as the focal point for future development. Fifty percent of the area structure plan is dedicated to parks and recreation usage, while the remaining 50% is dedicated for future infill development. Staff worked collaboratively with the developer to ensure technical and legislative requirements were met, while achieving the community's expectations for new neighbourhoods.



# FISCAL RESPONSIBILITY

## DISPOSAL OF 440 MAPLE AVENUE SE (FORMER FIRE STATION #1)

Fire Station #1 was relocated to 401 Parkview Drive NE in 2018, and the former location on Maple Avenue was declared surplus to the City's needs. With Council's Strategic Priority of seeking to sell land inventory that is not part of the City's land development strategy nor required for municipal purposes, the property was listed on the open market in the fall of 2019. At the close of 2019, negotiations were underway with an interested purchaser. Once finalized, City Council will be asked to approve the sale. It is anticipated that the closing date will be spring 2020.



## eBILLING

In 2019, the rate of customers signed on for eBilling grew to 38% (11,680 accounts). This translates into operational savings of over \$250,000 per year related to a reduced mailing volume. This initiative also gives rise to an environmental benefit due to lower paper usage.

**The City of Medicine Hat's ten-year Financially Fit initiative, launched in 2016, will decrease the City's reliance on volatile revenues from energy-based commodities. Through cost containment, service level adjustments, and the exploration of new revenue streams, the initiative has reduced the City's reliance on commodity-based revenue from \$23 million in 2018 to \$15.4 million in 2019. Examples of successful Financially Fit efforts achieved in 2019 are included below.**

## CITY OF MEDICINE HAT FUND DEVELOPMENT PROGRAM

An initiative to focus on creative corporate sponsorship commenced in 2019 to support fund development. The initiative will preserve a positive user experience with City assets, while developing new partnerships with the business community that generate additional revenue for the City. To date asset inventory, valuation of assets, and the development of a framework that outlines space options and a recognition structure are complete.

South Country Co-op Limited and Partek I.T. Solutions Inc. were secured as corporate partners in 2019, and active marketing of opportunities continues.





## HEALD POOL DEMOLITION

Heald Pool was identified as a surplus facility at the end of its useful life and designated for closure and demolition to support the City's ten-year Financially Fit Initiative. Hazardous material abatement, demolition and site reclamation were required to complete this process. The site has been reclaimed and planning is underway to relocate an outdoor rink to the location.



## MUSEUM ARTEFACT STORAGE RELOCATION

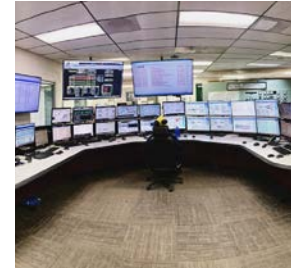
A review of City storage requirements and facilities determined the Marshall

Avenue storage facility is at the end of its useful life and should be decommissioned and demolished. Deteriorating conditions at the facility placed 2,200 museum artefacts that illustrate the early history of Medicine Hat at risk of damage. An existing City facility was identified as suitable and retrofitted for long-term use, and artefacts were moved and are now safe and secure. Grant funding from the Canada Cultural Spaces Fund and the Federal Gas Tax were used to help offset the associated costs.



## PLANT PERFORMANCE & PROFITABILITY

The City's power plant achieved high performance in 2019 with an overall generator availability rate of 97.06%, up from 94.85% in 2018. Forced outage rates totaled 59.7 hours for the entire fleet of seven electrical generators. This number is very low compared to other power plants, and is attributed to excellent preventative maintenance practices that aid in reducing forced outages.



GENCO (the City's power generating company) achieved higher than budgeted profitability, mainly due to equipment availability, lower gas costs than budgeted, and higher power prices occurring in the province. The hedging program and external power sales also contributed to higher than budgeted revenues, as well as cost-containment related to operations and maintenance.

## NGPR STRATEGY FOR ABANDONMENT OF UNECONOMIC GAS WELLS

Prolonged, depressed natural gas pricing over the past three years (and forecasted well into the future) prompted the need for transformative change within the Natural Gas and Petroleum Resources (NGPR) business unit in an effort to minimize financial losses. A detailed review of NGPR's operations resulted in a plan to abandon approximately 2000 low-producing/high-operating cost shallow gas wells over a three-year period. Initial actions undertaken in 2019 resulted in a \$2.5 million reduction in administration costs, and additional measures are ongoing to further reduce the operational spend. A small commercial team continues to explore options for financial improvement.



## PARKS MAINTENANCE CLASSIFICATION & SERVICE LEVEL ADJUSTMENTS

In the spring, an initiative was launched to classify parks according to frequency of use and amenities in order to determine appropriate levels of maintenance and find opportunities for savings. The effort involved informing the public of current maintenance practices, as well as the need to adjust service levels to save operating dollars.

Parks with high utilization and multiple amenities receive a higher standard of service compared to lower utilized parks, with resulting operational savings of approximately \$200,000. Opportunities to conserve water through more efficient irrigation will also be realized over time.



## INVESTMENT PORTFOLIO RETURN

The City of Medicine Hat continued to hold its externally managed investment portfolio, under management by Alberta Investment Corporation (AIMCo). Over \$150 million is invested with AIMCo and the return for the year ended December 31, 2019 was over 14% (net of fees). Since inception (March 1, 2017 to December 31, 2019), the fund has achieved a return of 6.55% (net of fees). As of December 31, 2019 the return on internally-managed investments was 2.27%.

# INFRASTRUCTURE RENEWAL

## ASSET MANAGEMENT

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



### 2019 Inspections

- 300 lane kms representing approximately one-third of the City's road network was inspected
- 2,170 linear metres of storm sewer was inspected
- 76 manholes and catch basins were inspected

### 2019 Storm Water System

- 137 linear metres of storm leads were replaced
- 14 catch basins were replaced

**Managing the City's aging assets to ensure quality, sustainable infrastructure continues to be a priority.**

### 2019 Transportation Network

- 3.5 kms of overlays were completed
- Numerous concrete and storm repairs were completed with the overlay program
- 35,000 linear metres of crack sealing completed
- 2500 linear metres sidewalk was repaired
- 57 wheelchair ramps upgraded/installed
- 135 linear metres of new sidewalk installed



## DUNMORE ROAD DRAINAGE UPGRADE

To improve neighbourhood drainage and prevent overland flooding, 106 metres of drainage swale was installed along Dunmore Road. The swale was constructed with articulated concrete matting to provide erosion protection and enhance aesthetics. The project also included the installation of new boulevard trees and a drainage 'bump' to channel runoff to the new swale.





## DUNMORE SERVICE ROAD REHAB

- 3960 square metres of complete pavement structure was removed and replaced
- one new storm manhole was installed and one catch basin was replaced including 13 metres of catch basin leads
- two reinforced concrete lane crossings were installed
- one concrete island was replaced and one curb/sidewalk was repaired



## ABERDEEN STORM RENEWAL

- 232 metres of storm main was replaced
- 255 metres of sanitary sewer was replaced
- Seven catch basins were replaced including 57 metres of catch basin leads
- Insulation of water services was completed to prevent freeze-up
- Curb/sidewalk repairs and installation of new wheelchair ramps were completed



## COBURG AVENUE DEEP UTILITY & ROADWAY UPGRADES

- 182 metres of water main was replaced
- 145 metres of sanitary sewer was replaced
- four catch basins were replaced including 45 metres of catch basin leads
- 2060 square metres of complete pavement structure was removed and replaced
- 127 metres of concrete curb and gutter along with 12.5 metres of reinforced concrete lane access



## SPRING ROAD REHAB

Select full structural rehabilitation was completed at locations where the road structure had failed and typical mill and overlay or patching was not sufficient.

- Halifax Way – 825 square metres of complete road rehabilitation
- Sierra Boulevard – 450 square metres of complete road rehabilitation and 140 square metres of mill and overlay
- Echo Dale Road – 650 square metres of complete road rehabilitation
- Altawana Drive – 144 square metres of complete road rehabilitation



## STEAM TURBINE OVERHAUL

The power plant's Unit 12 steam turbine and generator has the capacity to produce 33 Megawatts, and after six years of continuous operation, an inspection and overhaul was required. Ongoing inspections ensure that any needed repairs are addressed and also provide insight to the remaining life of the unit.

A team of over 30 skilled tradespeople, engineers and technicians completed the overhaul on time and on budget with no safety incidents over the course of 25 days. This machine will contribute to the efficient operation of the facility for years to come.



## 69 kV SUBSTATION UPGRADE

The 69 kV switchyard, constructed in 1979, provided reliable service to the City for several decades. The equipment became obsolete, and a three-year project to replace the major components was launched in 2019.



## GAS TURBINE REPLACEMENT

The City of Medicine Hat utilizes state-of-the-art aeroderivative gas turbine technology to service the majority of the City's electricity needs. After 56,000 hours of safe and efficient operation and over 1.9 million megawatt hours of production, one of the main gas turbines required a planned engine replacement. A newly rebuilt engine was installed and the retired engine will undergo refurbishment to have available as a spare unit for the City.



## ELECTRICAL SUBSTATION MHS-10

A new substation was constructed in support of economic development to ensure sustainable and timely provision of services for a vibrant and growing community. The project will provide added distribution capacity to the northwest industrial area and is expected to be in service by April of 2020.



## FIRST STREET SW REHABILITATION PROJECT

The Environmental Utilities, Municipal Works, and Utility Distribution departments collaborated on this capital project to optimize the work done in the area at one time. The scope of the project included new water and sewer mains, surface works, improved drainage collection and electrical conduit for future servicing.

The water and sewer main from Division Avenue through the 200 Block of 1 Street SW was over 100 years old, exceeding the design life of the pipe. The sanitary sewer pipe incurred root intrusion and some settlement. The cast iron water main and vitrified clay tile sewer main were replaced with PVC. In total, 587 metres of water main was replaced, along with 483 metres of sewer main. The water main was upsized to improve flow capacity to the local and downtown area. The total project is expected to be complete in 2020.

## BRIDGE MANAGEMENT PROGRAM

The Bridge Management Program involves the inspection and repair of the City's various vehicle and pedestrian bridge structures.

The City is responsible for maintaining 21 bridges and major culvert crossings in accordance with industry standards such as the Canadian Bridge Code. Work completed in 2019 included the full inspection of seven vehicular bridges and three pedestrian bridges.



## BRIER PARK LIFT STATION REPLACEMENT

The Brier Park Lift Station collects sewage flows from Brier Park, Box Springs, Methanex, Canadian Fertilizers and the Town of Redcliff. Sewage is pumped east to a higher point in the gravity sewer system, where it ultimately flows to the wastewater treatment plant. This facility is at the end of its functional life and must be upgraded/replaced to continue to provide reliable service. These upgrades are intended as interim measures only until the Brier Park Gravity Bypass has been completed reducing the risk of lift station failure.



## BRIER PARK GRAVITY BYPASS

A gravity sanitary sewer trunk extending from the southwest corner of Brier Park to the Crescent Heights lift station was partially completed in 2019. The bypass conveys sewage from the northwest quadrant of the city (including Brier Park and Box Springs, as well as the Town of Redcliff) to the newly expanded Crescent Heights lift station. This will accommodate long-term growth in the northwest and negate future requirements for significant sanitary sewer upgrades in the north part of the city, eventually resulting in the decommissioning of the Brier Park lift station.



Construction was envisioned in five phases, with phase one completed in 2018-2019, and the following phases anticipated in the next 5-10 years.

## DOWNTOWN ELECTRICAL NETWORK UPGRADE

An upgrade to the downtown electrical infrastructure was required to sustain safe and reliable electrical supply in the downtown area. The project included the replacement of underground network cable and transformers located in the various vaults throughout the downtown area. The work replaced infrastructure at the end of its useful life, as well as right-sizing capacity to ensure reliable electrical supply in the downtown core.



## WATER TREATMENT PLANT ELECTRICAL UPGRADE

Reaching its end-of-life, the Water Treatment Plant (WTP) electrical system was replaced. The WTP is responsible for providing potable water to Medicine Hat and nearby communities and is considered an essential service. This project provided mid-life rehabilitation/replacement of the existing main electrical system components within the WTP including the main transformers, breakers, 2,300 volt system, 240 volt system and the MCC HVAC system. This project extends the asset's useful life and was completed in 2019 substantially under budget. Cost saving innovations included repurposing part of the original 1912 WTP filter building as a new main electrical room.



## MEDICINE HAT AIRPORT RUNWAY MAINTENANCE REPAIR

Runway 9-27 required asphalt maintenance to reduce the amount of foreign object debris present on the runway. Scope of the work consisted of crack fill maintenance and asphalt surface replacement. A total of 2,150 metres of cracks were routed, cleaned out and filled, and 1,882 square metres of asphalt were removed and replaced. Portions of the secondary runway were also completed to extend its life and ensure continued safety. Work included localized deep repairs and crack sealing.





## NW STORM SEWER TRUNK AND STORM POND & SAAMIS DRIVE TRAIL EXTENSION



The installation of a new storm sewer trunk running along 3 Street NW, up Saamis Drive NW to Box Springs Road NW, as well as the construction of a new storm pond and the extension of the multi-use trail along Saamis Drive was completed in 2019. The new trunk addressed current drainage issues along 3 Street NW and a portion of Brier Park, and will facilitate future development in the Box Springs and Burnside areas. In addition, the project saw the installation of a new sanitary sewer trunk running along 3 Street NW, up to the top of the Saamis Drive hill and over to Brier Park, providing additional servicing capacity in the northwest quadrant of Medicine Hat. The two-year joint construction project started in June of 2018 and was completed in November of 2019.



# FINANCIAL REPORT



# TREASURER'S REPORT

I am pleased to submit the City of Medicine Hat Consolidated Financial Statements for the fiscal year ended December 31, 2019. Most of the information in this report is drawn from the financial information appearing in the 2019 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 are not PSAS-basis data. Both reports are available for viewing at [www.medicinehat.ca/reports](http://www.medicinehat.ca/reports).

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, 2018 - the 17th year in a row.

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



A stylized, handwritten signature in black ink, consisting of a large, sweeping loop followed by a few vertical strokes.

**Dennis Egert**

Commissioner of Corporate Services

April 20, 2020

# MANAGEMENT REPORTING & CONTROL

## STRATEGIC PLANNING & BUDGETING

City Council developed a Strategic Plan highlighting priorities, strategies and goals for the planning period 2019 - 2022. Based on the direction set out by the strategic plan, four-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 four-year operating budget, and a four-year capital budget with a six-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.



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 2019 - 2022 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.



# FINANCIAL HIGHLIGHTS

This financial data 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/what-s-new/publications-plans-and-reports](http://www.medicinehat.ca/what-s-new/publications-plans-and-reports).

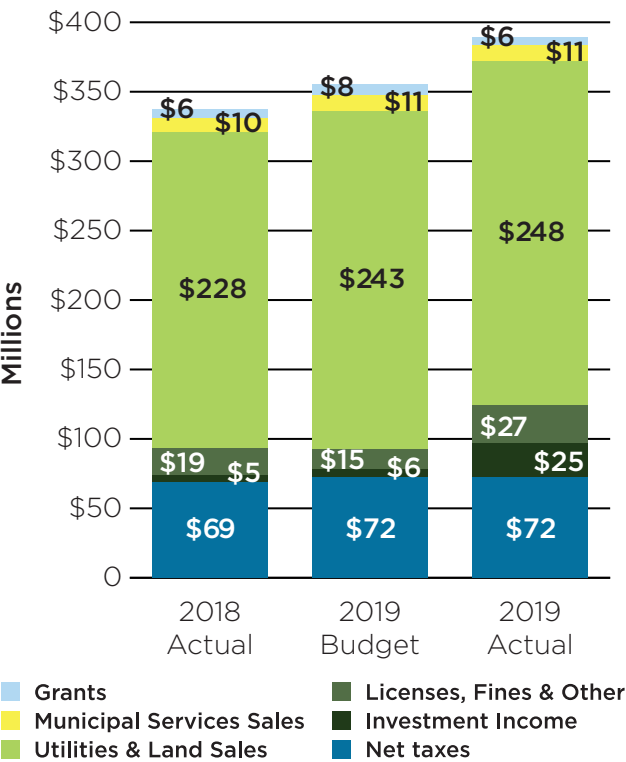
Due to the decline in gas and oil commodity prices as well as the related economic downturn, the City is experiencing lower revenues from its gas business. As a result, there is a \$23 million annual shortfall in the energy subsidy to the City's municipal operating budget.

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. Since 2017, the initiative has reduced the annual shortfall by a total of \$7.6 million, through a combination of cost containment measures, service level adjustments and increases to fees and taxes.

# REVENUES

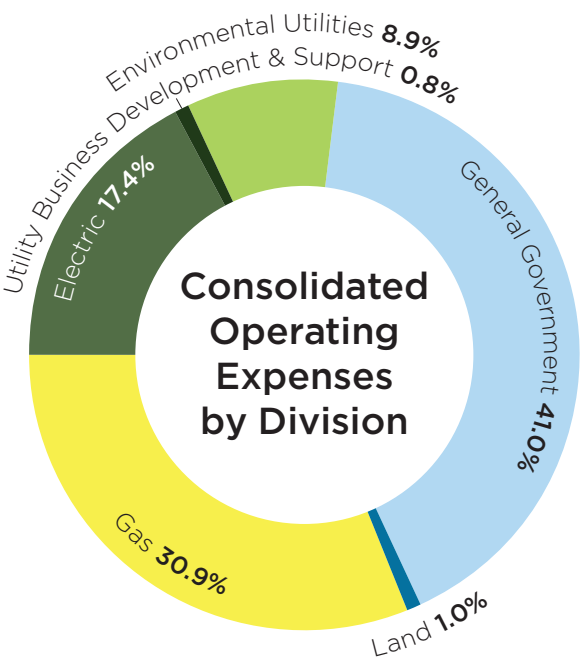
Revenue before capital contributions and grants was \$33.8 million higher than budget (\$389.2 million versus budget of \$355.4 million) mainly due to higher electric revenues and investment income. Electric revenues were \$11.7 million higher than budget due to higher than expected prices and demand. Economic Development & Land revenues were \$3.3 million lower than budget due to lower than anticipated residential lot sales.

2019 revenues are higher than 2018 revenues by \$52.1 million, primarily due to increased electric revenues as a result of higher commodity prices and sales volumes and higher investment income due to reinvested earnings.



# EXPENSES

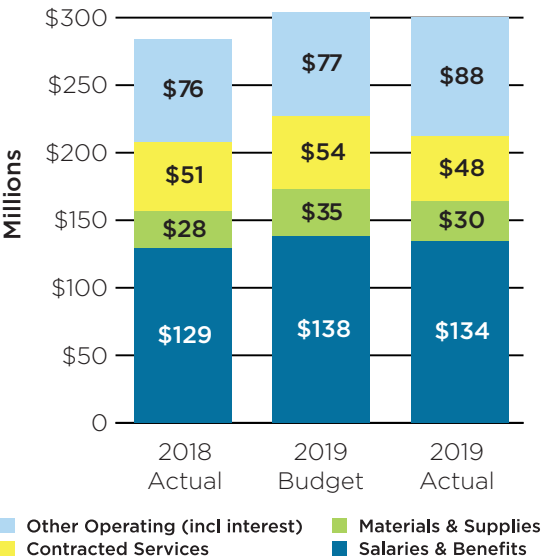
Overall, the City operating expenses for the year were \$13.1 million higher than budget, mainly due to depreciation and impairment losses in Natural Gas and Petroleum Resources. 2019 expenses are higher than 2018 expenses by \$11.8 million due to an increase in variable expenses related to Electric Utility sales volumes and in General Government due to an increase in amortization and loss on disposal of assets.



# EXPENSES BY TYPE

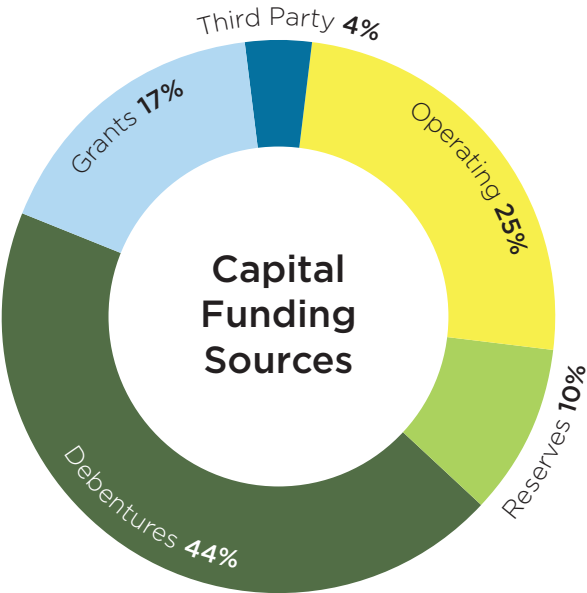
The Consolidated Schedule of Expenses by Object details 2019 actual (\$395.0 million) and budget (\$381.9 million) by expense type. The chart below excludes non-cash items such as amortization, impairments and disposal expenses of \$94.5 million (2019 budget of \$77.9 million). Variances from budget for contracted services and materials and supplies are mostly related to lower activity due to lower gas and oil commodity prices. Variances from budget for other operating expenses is largely due to an increase in purchased natural gas to cover local demand not met by produced natural gas. Variances from budget for salaries and benefits is primarily due to vacancies held throughout the organization.

The 2019 actual expenses by type are higher than 2018 due to an increase in other operating expenses related to increased natural gas purchases to cover local demand not met by produced natural gas, as well as higher taxes in lieu due to increased electric sales to the Alberta Interconnected Electrical System.



# 2019 CAPITAL EXPENDITURES

The City's approved 2019 budget for capital items was \$116.5 million. Actual capital expenditures for the year were \$115.8 million, plus contributions from developers of \$0.5 million. The current year expenditures include \$83.5 million for projects carried forward from previous budget years. The 2019 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, and third party contributions.

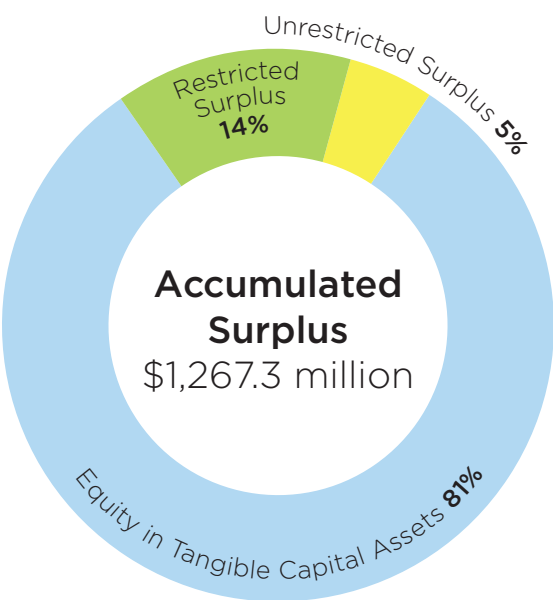


# ACCUMULATED SURPLUS

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 2019, the consolidated fund and equity balances increased by \$15.1 million to \$1,267.3 million.

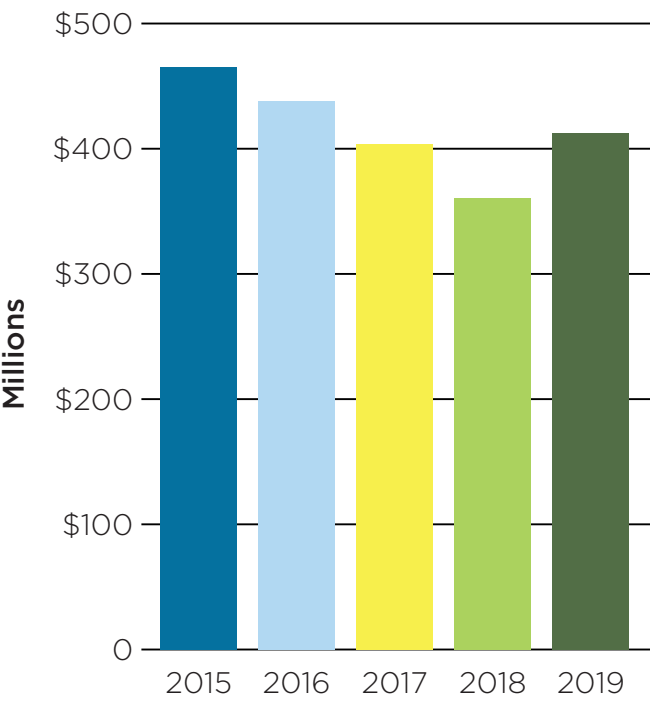
\$69.0 million of the accumulated surplus is unrestricted. This unrestricted amount is used as working capital to fund day-to-day operating activities of the City. The restricted amount is \$170.8 million and is largely dedicated to capital activities of the organization.

Equity in the City’s tangible capital assets decreased by \$14.9 million to \$1,027.5 million this year as a result of an increase in amortization and long term debt.



# INVESTMENTS

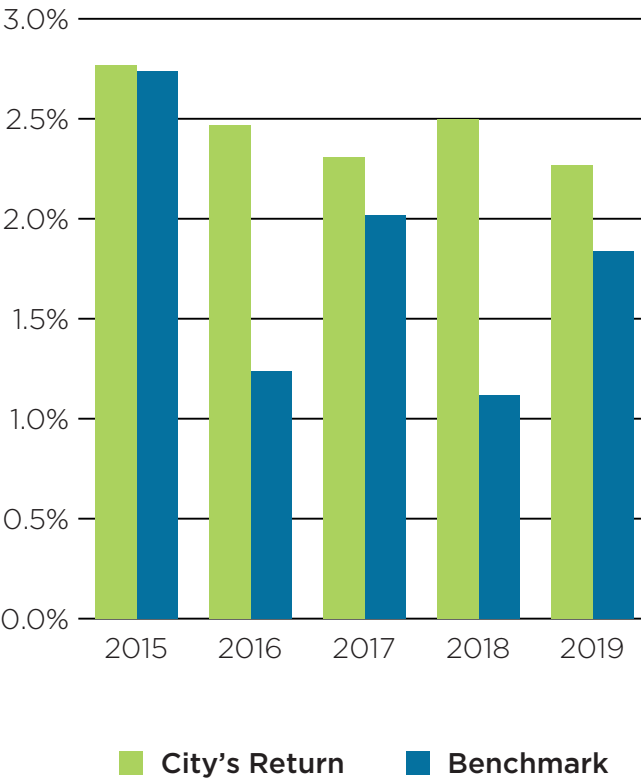
Investments, Loans and Advances increased \$45.1 million from 2018 to \$405.1 million largely as a result of recording 2017 – 2019 reinvested earnings on AIMCO funds, and an increase in provincial and federal capital grant funding received (Municipal Sustainability Initiative, Federal Gas Tax Fund, GreenTrip).





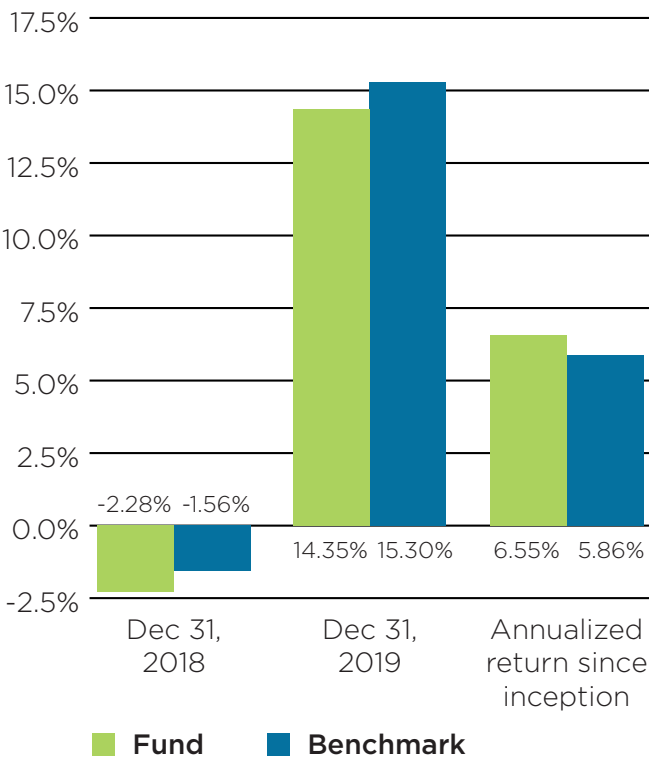
## RATE OF RETURN

The City of Medicine Hat's return on internally managed investments for the year ended December 31, 2019 averaged 2.27%, higher than the internally customized benchmark of 1.84%. The City's average portfolio return has outperformed the stated benchmark over the last five years.



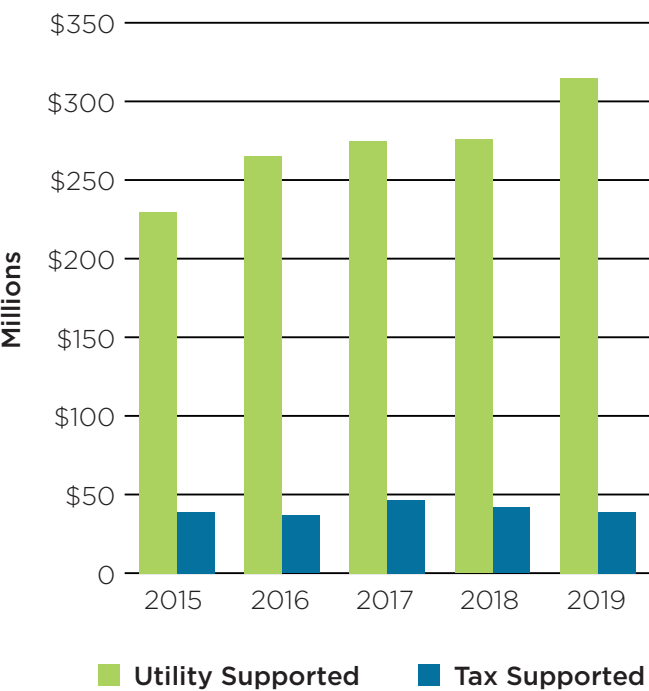
## BALANCED PORTFOLIO RETURNS

In 2019, the City continued to contribute to the externally managed investment portfolio, managed by the Alberta Investment Corporation (AIMCo). Overall, \$174.4 million has been invested with AIMCo (\$154.2 million of principle and \$20.2 million of re-invested earnings). The return for the year ended December 31, 2019 was 14.35%, 0.95% lower than the benchmark of 15.30%. Since inception (March 1, 2017 to December 31, 2019) the fund return was 6.55%, 0.69% higher than the benchmark return of 5.86%. The fund parameters are 40% money markets and fixed income and 60% equities.



# LONG-TERM DEBT

During 2019, total long-term debt increased \$36.2 million to \$353.7 million with debt principal repayments of \$25.9 million being more than offset by new debt issued of \$62.1 million. New debt represents \$1.6 million for improvements to General Government assets, \$35.4 million related to Environmental Utility assets, \$23.0 million related to Electric Utility assets, and \$2.1 million for Gas Utility assets.



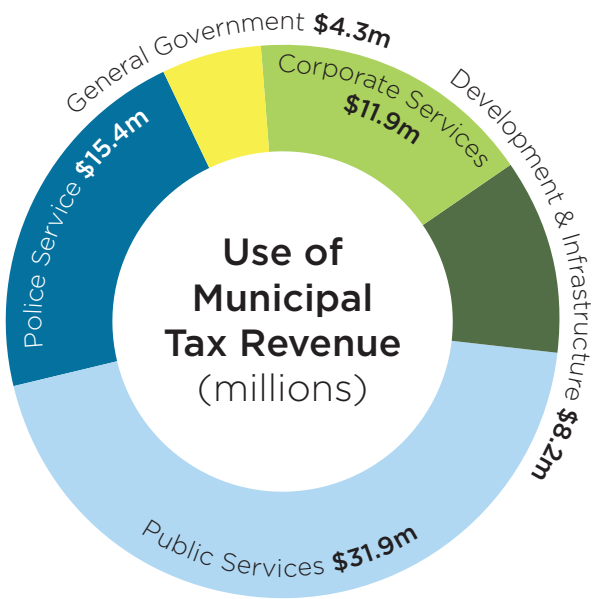
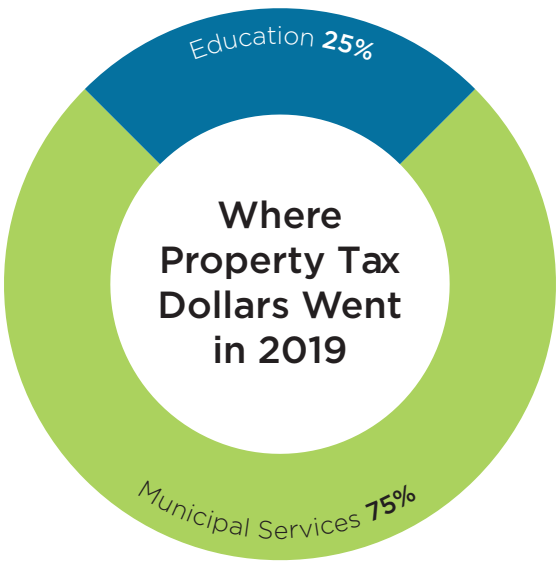
The Minister of Municipal Affairs has prescribed limits for total debt and debt servicing for municipalities in the province. The debt limit is defined as two times revenue, net of government transfers, and debt servicing is limited to 35% of revenue, net of capital government transfers. For purposes of these calculations, actual total debt includes long and short-term debt as well as loan guarantees in the amount of \$1.7 million and letters of credit issued of \$47.3 million.

## The City's 2019 debt limits are as follows:

(in millions of dollars)		2019
Debt limit		\$778.4
Actual total debt		\$402.7    52%
Amount under limit		\$375.7
Debt servicing limit		\$136.2
Actual debt servicing		\$36.9    27%
Amount under limit		\$99.3

# USE OF MUNICIPAL TAX REVENUE

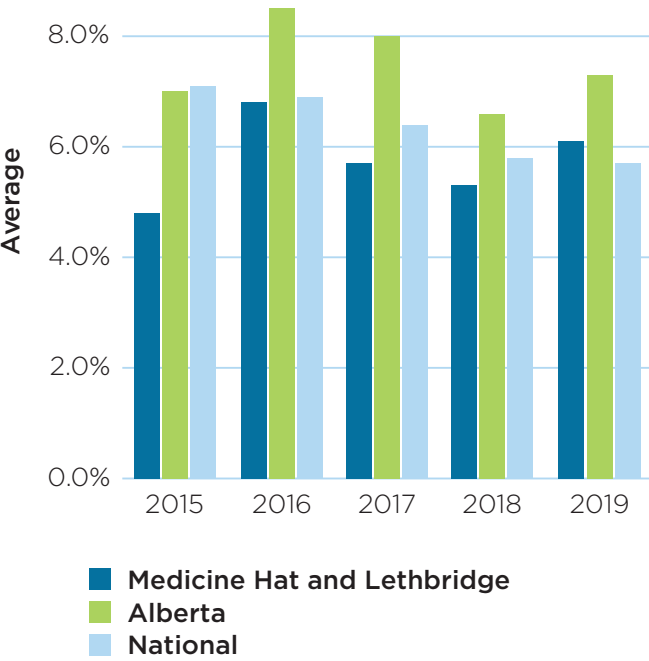
Net municipal property tax revenue of \$71.7 million (44.2%) is used to fund the consolidated General Fund operating expenses of \$162.4 million. Other revenue sources include investment interest, sales, government grants, fees and permits.



# ECONOMIC INDICATORS

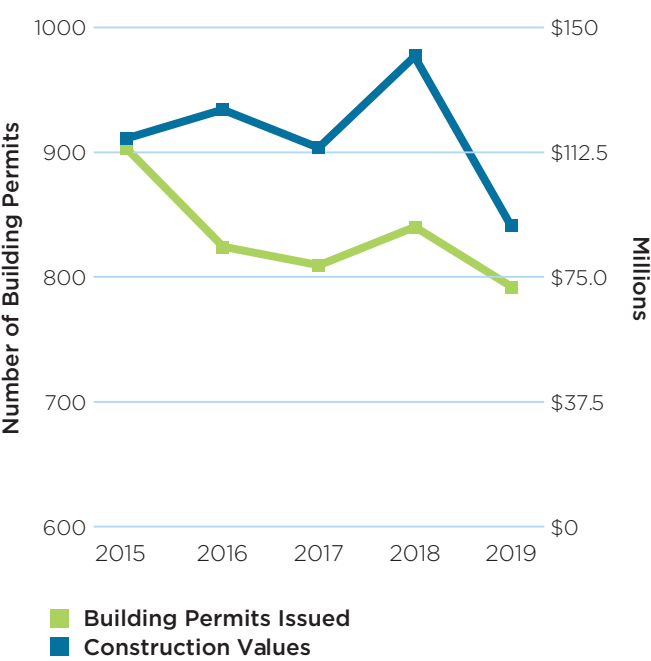
## UNEMPLOYMENT RATE

The combined unemployment rate for Medicine Hat and Lethbridge at the end of 2019 was 4.0%, while the 2019 average was 6.1%. The average Alberta unemployment rate for 2019 was 7.3% compared to 5.7% for Canada.



## BUILDING PERMITS ISSUED & RELATED CONSTRUCTION VALUES

In 2019, the number of building permits issued decreased to 792 primarily due to a decrease in new development. The related estimated value of construction in 2019 also saw a decrease from the prior year to \$91 million due to the majority of permits being issued for construction values under \$0.1 million.





## GAS

Natural gas prices increased in early 2019 due to extreme cold weather. Prices then declined through summer, due to numerous maintenance projects on the NOVA Gas Transmission Limited (NGTL) pipeline. Natural gas prices recovered in October, when NGTL implemented a Temporary Service Protocol to encourage gas into storage and egress out of Alberta. US dry gas production continues to impact the North American price of gas where production averaged 92.1 billion cubic feet (Bcf) per day. The average AECO price for 2019 was \$1.81 per thousand cubic feet (Mcf).

Sales gas volume from production for the City of Medicine Hat was 8,766,923 Mcf in 2019. A \$1 per Mcf change in the commodity price would affect annual gross revenue by \$8.8 million.

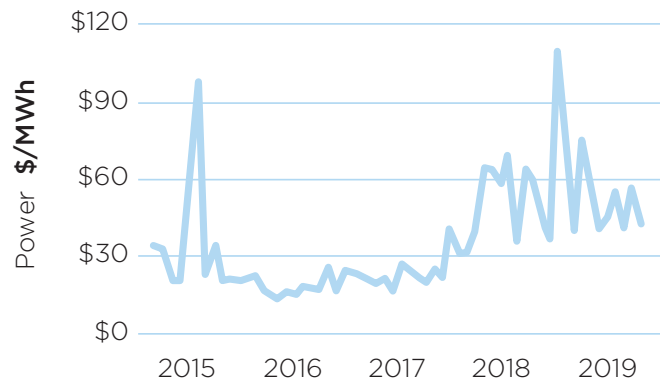
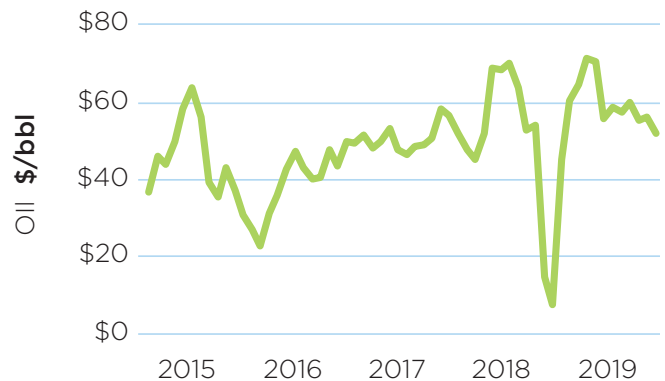
## OIL

In 2019, the Alberta Government curtailed provincial oil production to move crude built up in storage and better match demand and supply in the pricing of Canadian oil, Western Canadian Select (WCS). The curtailment and the increased oil movement on rail assisted in increasing the WCS price by approximately \$9 per barrel. The average 2019 net WCS price was \$58.75/bbl.

2019 oil production for the City of Medicine Hat was 421,766 barrels. A \$1 per barrel change in the commodity price would affect annual gross revenue by \$421,766.

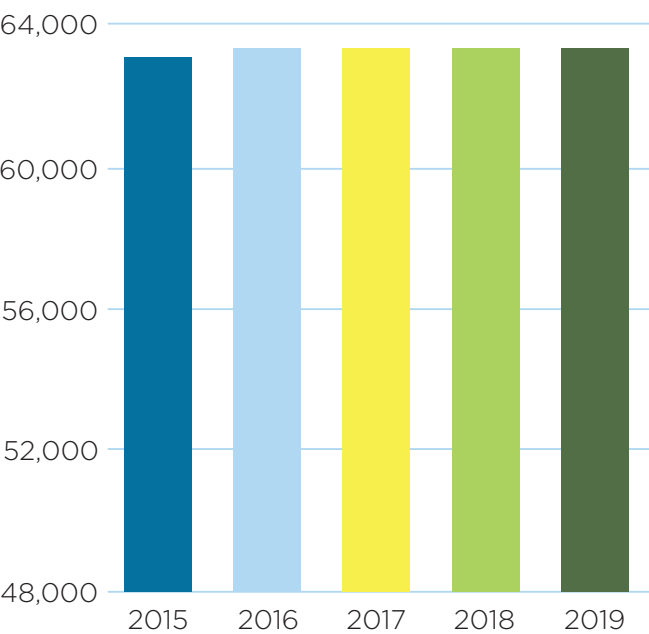
## POWER

Power prices and volatility remained strong in 2019, mainly due to a tight demand/supply balance. This, along with continued low gas costs, contributed to the City of Medicine Hat having a strong year in power exports.

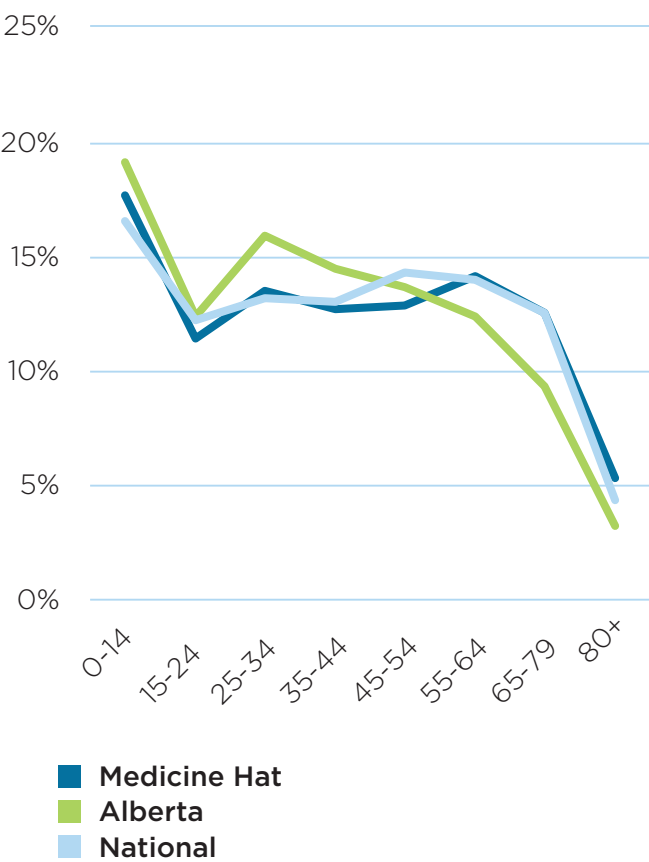


# DEMOGRAPHICS & POPULATION

MEDICINE HAT POPULATION



POPULATION AGE DISTRIBUTION



## MEDICINE HAT'S 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

	2015	2016	2017	2018	2019
General Government <sup>1</sup>	39	43	43	41	28
Corporate Services <sup>2</sup>	170	173	172	178	191
Public Services	268	274	275	275	275
Police	152	150	150	151	150
Development & Infrastructure	88	89	89	89	89
<b>Total Tax Supported Permanent Positions</b>	<b>717</b>	<b>729</b>	<b>729</b>	<b>734</b>	<b>733</b>
Gas Utility <sup>3</sup>	144	134	-	-	-
Electric Utility <sup>4</sup>	102	107	-	-	-
Utility Distribution Systems <sup>5</sup>	-	-	93	89	92
Natural Gas and Petroleum Resources	-	-	97	97	82
Electric Generation	-	-	46	45	45
Utility Business Development & Support	-	-	11	15	20
Environmental Utilities	105	105	107	106	106
Economic Development & Land	6	6	6	6	9
<b>Total Utility Permanent Positions</b>	<b>357</b>	<b>352</b>	<b>360</b>	<b>358</b>	<b>354</b>
<b>Total Permanent Positions</b>	<b>1,074</b>	<b>1,081</b>	<b>1,089</b>	<b>1,092</b>	<b>1,087</b>

2017 - 2019 information has been represented to reflect the change as a result of a organizational restructuring in the organization

**Note 1:** 2015 - 2018 included Health, Safety, Environment & Emergency Management

**Note 2:** 2019 includes Health, Safety, Environment & Emergency Management

**Note 3:** 2015 - 2016 included Gas Distribution and Natural Gas and Petroleum Resources

**Note 4:** 2015 - 2016 included Electric Distribution, Electric Generation, and Utility Business Development and Support

**Note 5:** 2017 - 2019 includes Gas Distribution and Electric Distribution

# CONSOLIDATED STATEMENTS

**Statements as of  
December 31, 2019  
and in thousands of  
dollars.**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

	2019	2018
Assets	\$526,888	\$468,736
Liabilities	738,323	670,324
Net financial debt	(211,435)	(201,588)
Non-financial assets	97,485	93,837
Tangible capital assets	1,381,269	1,359,967
<b>Accumulated surplus</b>	<b>\$1,267,319</b>	<b>\$1,252,216</b>

## CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT (unaudited)

	2019 Budget	2019	2018
Annual surplus (deficit)	\$(12,985)	\$15,103	\$16,442
Acquisition of tangible capital assets	(116,502)	(116,301)	(132,566)
Amortization/Disposal of tangible capital assets	84,536	95,614	105,171
	(44,951)	(5,584)	(43,837)
Acquisition/Consumption of inventories and supplies	28	(1,882)	(1,110)
Net acquisition of land held for future development	(2,382)	(2,210)	(1,220)
Acquisition/Consumption of prepaid assets	(163)	(171)	(285)
	(2,517)	(4,263)	(2,045)
Increase in net financial debt	(47,468)	(9,847)	(45,882)
Net financial debt, beginning of year	(201,588)	(201,588)	(155,706)
<b>Net financial debt, end of year</b>	<b>\$(249,056)</b>	<b>\$(211,435)</b>	<b>\$(201,588)</b>



## CONSOLIDATED STATEMENT OF OPERATIONS (unaudited)

	2019 Budget	2019	2018
Revenue	\$355,417	\$389,201	\$337,074
Expenses	381,896	394,956	383,116
Deficiency of revenue over expenses before other revenue	(26,479)	(5,755)	(46,042)
Other revenue			
Capital contributions and grants	13,494	20,858	29,600
Annual surplus (deficit)	(12,985)	15,103	(16,442)
Accumulated surplus (beginning of year)	1,252,216	1,252,216	1,268,658
<b>Accumulated surplus (end of year)</b>	<b>\$1,239,231</b>	<b>\$1,267,319</b>	<b>\$1,252,216</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

	2019	2018
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Annual surplus (deficit)	\$15,103	\$(16,442)
Non-cash items included in annual surplus	94,564	98,605
Non-cash items relating to capital and investing activities	(518)	4,575
Non-cash changes to operations (net change)	29,220	27,605
<b>Cash provided by operating transactions</b>	<b>138,369</b>	<b>114,343</b>
<b>Cash applied to capital transactions</b>	<b>(114,733)</b>	<b>(130,575)</b>
<b>Cash provided (used) by investing transactions</b>	<b>(48,792)</b>	<b>34,070</b>
<b>Cash provided (used) by financing transactions</b>	<b>36,165</b>	<b>(3,745)</b>
<b>Change in cash and equivalents during the year</b>	<b>11,009</b>	<b>14,093</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>25,034</b>	<b>10,941</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$36,043</b>	<b>\$25,034</b>
<b>Cash and cash equivalents consist of the following:</b>		
Cash	\$71,119	\$56,375
Less: restricted portion of cash and temporary investments	(35,076)	(31,341)
<b>Total</b>	<b>\$36,043</b>	<b>\$25,034</b>

# 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.

## AMORTIZATION

Amortization of tangible capital assets is a way of representing, for accounting purposes, how capital assets decline in value over time.

## CASH EQUIVALENTS

Include unrestricted cash in the bank and short term (90 days or less) investments. Cash is restricted when an external agency requires cash to be used for a specified purpose.

## IMPAIRMENTS

Expenses recorded to reduce the value of assets when the assets are worth less on the market than the carrying value listed on the company's balance sheet.

## LOSS (GAIN) ON DISPOSAL

Loss (gain) on disposal of tangible capital assets reflects the difference between the net proceeds on disposal of a tangible capital asset and the net carrying amount of that asset. If the net carrying amount is higher than (less than) the net proceeds on disposal, there is a loss (gain) on disposal.

## NET FINANCIAL ASSETS

When 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 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.

*Duzz All*  
Photography

Inside cover photos by  
**Duzz-All Photography**







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