

2022 MUNICIPAL AND INVEST MEDICINE HAT BUDGET UPDATE

DECEMBER 1, 2021

ISSUE:

On November 15, 2021, City Council considered the City of Medicine Hat 2022 Municipal Budget Update and the 2022 Operating Budget Update for Invest Medicine Hat. The item was postponed to December 6, 2021 to allow staff to provide answers to questions posed by Council, as set out in Attachment #4. Subsequent to further discussion, there are several items that Council may want to consider and further discuss. These items are captured below in the "Options Considered and Potential Implications" section. Therefore, this Briefing Note is intended to replace the Briefing Note previously considered by Council on November 15, 2021.

RECOMMENDATION:

It is recommended through the Administrative Committee that City Council approve:

- a) the Amended 2022 Municipal Operating Budget;
- b) the Amended 2022 Municipal Capital; and
- c) the Amended 2022 Operating Budget for Invest Medicine Hat
- d) withdrawal of the 2022 Municipal and Invest Medicine Hat Budget Update Briefing Note dated November 10th and considered by Council on November 15th.

COUNCIL STRATEGIC PRIORITY:

The Municipal Operating and Tangible Capital Assets budgets incorporate the City Council Strategic Priorities. The budget objectives set in 2018 for the period 2019-2022 are to:

- Meet all statutory and regulatory requirements
- Deliver quality municipal services valued by residents
- Ensure financial sustainability and resilience
- Preserve and enhance the "Medicine Hat Advantage"

During 2021, Invest Medicine Hat was operated as a self-sustaining business unit. The 2022 Invest Medicine Hat Budget Update seeks to account for the projected staffing, office, and technology costs related to the full annualized operation of the organization while also revising land sales and leasing revenues assumptions anticipated in the current economic environment.

KEY RISKS:

Health, Safety and Environmental Impact:

The 2022 Municipal Budget Update will ensure the continued effective delivery of health, safety and environmental safety throughout the organization.

Financial Impact:

Funding Request:	Yes	If yes, amount: See below
Budgeted Item:	Yes	Funding Source: As noted below
Funding Explanation:	As noted below	
Budget Amendment Form?	No	

MUNICIPAL OPERATIONS (000's)	2021 Budget Update Approved	\$ Change	2022 Budget Update Proposed	% Change
Revenues	117,398	7,142	124,540	6.1%
Expenses	120,237	4,559	124,796	3.8%
Net	(2,839)	2,583	(256)	-91.0%
Internal Transfers (net revenue)	10,412	1,965	12,377	18.9%
Net Cash Requirement before Transfers	7,573	4,548	12,121	60.1%
Capital Requirements	(9,804)	(808)	(10,612)	8.2%
Transfer From / (To) Reserves	2,231	(3,740)	(1,509)	-167.6%
Net Cash Requirement	0	0	0	

Invest Medicine Hat is comprised of two separate business units: (1) Economic Development Investment – funded by taxes; and (2) Land – funded by sales and leasing revenue. Total revenue / expense / net figures are provided in the table below:

INVEST MEDICINE HAT (000's)	2021 Budget Update Approved	\$ Change	2022 Budget Update Proposed	% Change
Revenues	14,156	512	14,668	3.6%
Expenses	11,596	568	12,164	4.9%
Earnings Before Interest, Taxes, Depreciation and Amortization	2,560	(56)	2,504	(2.2%)

Legal / Policy Impact:

Council support and approval will be required for related policy updates, bylaw changes and divisional realignment in order to deliver this budget.

Property tax rate bylaws for 2022 will be presented to City Council for approval in spring 2022. City staff will continue to monitor further impacts from COVID-19 and the current Alberta Fiscal Plan and present mitigation plans to City Council as required.

Public Implications:

The Municipal Budgets were developed based on City strategic priorities and in accordance with City of Medicine Hat policies and practices.

The original approved 2022 Municipal Budget assumptions included a 4% property tax revenue increase for 2022. Considering the state of our economy, this level of tax increase is not recommended for local property owners in 2022. Accordingly, this proposed Budget Update incorporates 2.5% property tax increase for 2022, which follows Alberta inflation as well as reduction in Grants in Place of Taxes (GIPOT) and 0.5% related to estimated assessment growth

The 2022 Invest Medicine Hat Budget Update is based upon City Council's Strategic Priorities taking into account the expected economic environment in the near term for land development and sales

BACKGROUND:

Update to the 2022 Budget is required for the following reasons:

- restate management assumptions & estimates
- reflect Alberta Fiscal Plan
- revise property tax revenue
- update 2021 organizational realignment & strategic manpower additions
- establish AFFI targets & related Tax Rate Stabilization reserve funding

Accordingly, this budget update includes significant changes > \$100k.

2022 Municipal Budget Update

Council approved the four-year 2019-2022 Municipal Budget on December 19, 2018.

In view of significantly changed circumstances since that time however, budget revisions are appropriate for 2022 in order for CMH to balance its municipal operating budget as required by the Municipal Government Act. The approximately \$23M in volatile commodity-based dividends that were historically relied upon and considered 'revenue' to the municipality were discontinued in 2016 which gave rise to the City's original Financially Fit Initiatives (FFI). Currently, there is approximately \$7.6M gap remaining to be solved. The external pressures stem from the Government of Alberta reduction in municipal funding, operating impacts from COVID-19 response and ongoing uncertainty (including facility closures, travel bans, higher unemployment, financial constraints and additional required safety protocols) and continued market volatility impacting commodity prices and investment returns. The Accelerated Financially Fit Initiative (AFFI) which was directed by City Council in 2020 was to fast-track the execution timeline of the initial effort launched in 2016.

The Accelerated Financially Fit Initiative refocuses on execution of budget solving initiatives and strategic opportunities including revenue growth as well as cost containment and service level adjustments, range and level of services provided, and leveraging technology and digital innovation in order to connect with residents.

A number of these initiatives, including the divisional realignment, were implemented in 2021, which resulted in anticipation of achieving the \$14.8M 2021 AFFI target. There is approximately \$7.6M remaining to solve of which approximately 1/3 are proposed to be funded by reserves and 2/3 through new revenue sources and expense reduction.

Management has reviewed the original estimates and assumptions applied to the 2022 Council approved Municipal Operations budget and recommends various adjustments, one of which is the reduction in 2022 property tax revenue for CMH from a planned 4% increase down to 2.5%. In addition, management recommended that we maintain an estimated 0.5% revenue increase related to assessment growth.

The following material changes from the approved 2021 Budget Update are included in the proposed 2022 Budget Update:

- Increased investment income to align with the revised investment strategy in 0167 Investment Policy, which was adopted as an AFFI Initiative
- Salaries and wages adjustments to reflect 2% increase per ratified collective agreements, plus strategic manpower adjustments and impact of 2021 organizational realignment
- Transition to third party operator for the Seniors Center, which was awarded in 2021
- Recalculated internal recoveries and charges related to the 2021 organizational realignment
- Accelerated Financially Fit Initiatives (AFFI) targets updated to reflect reduced reliance on reserve transfers

Multiple budgets that are funded by taxes but under the purview of other governing bodies are included within the overall Municipal Services budget, including but not limited to Medicine Hat Police Service and grants to other organizations (e.g. Medalta, Medicine Hat Public Library, Shortgrass Library).

2022 Invest Medicine Hat Budget Update

Management has reviewed assumptions contained in the 2021 Operating Budget Update previously approved by City Council and proposed revisions in the 2022 Budget Update related to the following:

- Updated sales forecasts to reflect current economic conditions, with a strategic focus on de-risking City owned lands to market industrial, commercial and multi-use land opportunities
- Adjustments to salaries & wages, contracted services, and internal charges in order to reflect the organizational realignment, including the realignment of Corporate Communications to Corporate Services Division

2022 Budget Update Question & Answer

The budget was presented to Council on November 15, 2021 and Council raised a series of questions, which required follow up. The questions were as follows and the detailed responses can be found in attachment #4.

1. Question: What was the headcount reduction from the workforce reduction and re-organization?

Answer: Overall the City experienced a number of position reductions. The positions that impacted the municipal budget was a net reduction of 52 positions (74 positions reduced offset by 22 positions added to restructure the organization to meet Council strategies and budget targets). This initiative results in a net annualized cost reduction of \$4.0 million per year going forward.

2. Question: What was the reduction in government grants?

Answer: The municipal operating budget had a reduction of \$900,000 related to a reduction in grants. The Municipal Sustainability Capital grants were reduced by approximately 50% from 2021 (from \$12M to \$6M).

3. Question: How much of the 2021 budget gap was solved through revenues and how much was solved through a reduction in expenses?

Answer: 1/3 through revenue increases and 2/3 from expense reductions - 1/3 as a result of restructuring efforts and 1/3 from cost and other innovative efforts.

OPTIONS CONSIDERED & POTENTIAL IMPLICATIONS:

The Municipal and IMH Budgets that are proposed here represent a wide range of options, judgments, and choices that management believes are optimal at this time. Beyond this, options include:

1. Do not request a 2022 Municipal Operations budget update and rely on the original approved 2022 Budget. This is not recommended as the amended Municipal Operations Operating budgets reflect revised estimates required to achieve City Council's Strategic Priorities as described in the 2019-2022 Council approved business plans.
2. Do not request a 2022 Invest Medicine Hat budget update and rely on the original approved 2022 Budget. This is not recommended as the operating model and associated revenues and expenses for Invest Medicine Hat has evolved significantly from the original 2022 budget approval and should be amended to properly reflect anticipated operations in 2022.
3. The table below lists several items that Council may want to consider as part of the 2022 budget update. Some or all of these options could be selected and amended into an approved budget now to be implemented as part of the 2022 budget update, or they can be considered and potentially approved at a later date, where staff would bring forward a separate budget amendment briefing note as required for each option.

Description	Operating Impact (in 000's)	Funding	Capital Impact (in 000's)	Funding	Comments
a. City Centre Area Redevelopment Plan (CCARP)	\$ 250	Operating Reserves	-		Direct and fund Planning and Development Services to complete a City Centre Area Redevelopment Plan as it relates to the Municipal Development Plan. This funding would be used for planning and engineering, including the required background studies.
b. Re-opening of Crestwood	\$ 600	Operating Reserves	-		Direct management to restore service curtailed in 2021. The operating impact represents the annual impact based on the most recent full year not including any ongoing impacts from the pandemic.
c. Re-opening of Moose Center	\$ 300	Operating Reserves	\$ 1,200	Capital Reserves	Direct management to restore service curtailed in 2021. Timeline for re-operational would be Fall 2022 following ice slab construction in the summer of 2022.
d. Resources for Mayor & Councilors	\$ 250	Operating Reserves	-		Increase resources dedicated directly to the Mayor & Council to accomplish improved coordination of political efforts and improved communication with the community/constituents.
Subtotal	\$ 1,400		\$ 1,200		
Current 2022 Budget Gap	\$ 7,600	1/3 from AFFI Revenues; 1/3 from AFFI Expenses; 1/3 from Reserves	-		

REVISED Total 2022 Budget Gap	\$ 9,000	Funding will be through reserves and will be adjusted accordingly when additional revenues and cost savings initiatives are identified	\$ 1,200	Capital Reserves	
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Council may also consider funding the revised gap through an additional increase of property taxes. A 1% increase in property taxes would provide approximately \$0.8 million in additional funding.

In any event, Council may direct Management to actively research and analyze innovative efficiency and efficacy initiatives for 2022 to be brought forward for Council consideration in early stages for approval to proceed.

IMPLEMENTATION PLAN:

1. Following Council adoption, the 2022 Municipal Budget Update and the 2022 Invest Medicine Hat Budget Update, will be implemented with required changes and the tax rate bylaws will be prepared for Council.
2. Confirm the alignment of the Invest Medicine Hat structure within the organization in preparation for 2023-2026 business planning period.

PREPARED BY & DATE:	Lola Barta, Director of Finance	November 29, 2021
REVIEWED BY & DATE:	Dennis Egert, Managing Director of Corporate Services Eric Van Enk, Interim Managing Director of Invest Medicine Hat	
APPROVED BY & DATE:	Robert Nicolay City Manager	
ATTACHMENTS:	#1 – 2022 Municipal Operating Budget Update #2 – 2022 Municipal Capital Budget Update #3 – 2022 Invest Medicine Hat Operating Budget Update #4 – Responses to Council’s November 15, 2021 Questions #5 – 2022 Municipal and Invest Medicine Hat Budget Update Presentation	

	2021 BUDGET UPDATE APPROVED	\$ CHANGE	2022 BUDGET UPDATE PROPOSED	% CHANGE	Notes
Revenue					
Net Property Taxes	78,354	2,429	80,783	3.0%	1
Other Revenue	30,438	-736	29,702	-2.4%	2, 7
Investment Income	5,491	2,849	8,340	51.9%	3
Contribution from Utilities and Land	3,115	0	3,115	0.0%	4
AFFI - 1/3 Revenue		2,600	2,600	0.0%	12
Total Revenue	117,398	7,142	124,540	6.1%	
Expenses					
Salaries, Wages and Benefits	86,437	6,494	92,930	7.5%	5
Contracted and General Services	21,042	355	21,397	1.7%	6, 7
Materials, Goods & Utilities	7,698	-393	7,305	-5.1%	7
Other Operating Expenses	5,060	603	5,664	11.9%	7
AFFI - 1/3 Expenses		-2,500	-2,500	0.0%	12
Total Expenses	120,237	4,559	124,796	3.8%	
Net Cash Requirements Before Internal Transfers, Capital Requirements, and Reserve Transfers	-2,839	2,583	-256	-91.0%	
Internal Recovery	44,292	3,129	47,421	7.1%	8
Internal Charges and Transfers	33,880	1,164	35,044	3.4%	8
Net Internal Charges and Transfers	10,412	1,965	12,377	18.9%	
Net Cash Requirements Before Capital Requirements, and Reserve Transfers	7,573	4,548	12,121	60.1%	
Capital Cash Requirements	-9,804	-808	-10,612	8.2%	9
Transfer From Reserves	10,506	-7,841	2,665	-74.6%	10
AFFI - 1/3 Reserves		2,500	2,500	0.0%	12
Total Transfer From Reserve	10,506	-5,341	5,165	-50.8%	
Transfer to Reserve	-8,275	1,601	-6,674	-19.3%	11
TOTAL CASH REQUIREMENTS	0	0	0	0.0%	

Notes:

- 1 2%, plus 0.5% assessment growth, plus 0.5% Grants in Place of Taxes (GIPOT) write off recovery.
- 2 Decreases in facility user fees and permit revenue to reflect current economic environment, offset by increased business license fees per actual results and tax arrears per approved penalty rates.
- 3 Revised investment projections to reflect new policy/strategy.
- 4 Estimate based on prior year actuals.
- 5 2% increase (\$2.6M) per ratified collective agreements, organizational realignment and strategic manpower adjustments (\$3.9M). Increases offset by recalculated internal recoveries and charges related to organizational realignment (\$2.0M).
- 6 Increase due to general inflation.
- 7 Adjustments to reflect transition to third party operator for the Senior's Centre.
- 8 Adjustments due to organizational realignment.
- 9 Increase due to revisions to capital budget, including internal loan approved for Citizen Facing Digital Strategy and APARC building purchase.
- 10 Decrease due to reduction in TRSR transfer (\$7.8M), offset by AFFI initiatives. Transfer from reserve includes funding for the Development Incentive program (\$2.4M, 2021 - \$2.3M), E-permit funding for software fees (\$0.05M, 2021 - \$0.05M), and Employment & Development reserve funding for Talent & Occupational Development (\$0.215M, 2021 - \$0.229M).
- 11 Decrease due to investment income that will be retained in operations instead of transferred to reserve.
- 12 2022 AFFI Initiatives identified to offset decrease in transfer from reserves.



Attachment #2 Tangible Capital Asset (TCA) Budget Requests

Department	2022 Original Budget	2022 Amendment	Funding Source	2022 Budget Update Proposed	Notes
Tangible Capital Assets	\$16,307,000	\$23,316	\$23,316 3rd Party	\$16,330,316	1
Total	\$16,307,000	\$23,316	\$23,316 3rd Party	\$16,330,316	

Notes

1. Medicine Hat Police Services is requesting approval to purchase an mobility hardware in support of the use of Health IM, a mobile application. This mobile application provides Police Services with the function of helping improve emergency response to individuals suffering from unmanaged mental health challenges and/or substance use issues in acute crisis. The Medicine Hat Police Service received \$23,316 from the Medicine Hat College Foundation to offset the costs.

2022 BUDGET UPDATE - INVEST MEDICINE HAT

Financial Summary (in thousands of dollars)

	2021 Budget Update Approved	\$ Change	2022 Amended Budget	% Change	Ref No.
Revenue					
Sale of Goods & Services	9,409	164	9,573	1.7%	1
Licenses, Fines and Penalties	3	-	3		
Other	610	(40)	570	-6.6%	
Internal Recovery	4,134	388	4,522	9.4%	2
Total Revenues	14,156	512	14,668	3.6%	
Expenses					
Cost of Land Sold	5,942	782	6,724	13.2%	1
Salaries, Wages & Benefits	898	(369)	529	-41.1%	3
Contracted Services	972	21	993	2.2%	
Materials, Goods & Supplies	106	2	108	1.9%	
Interdepartmental Charges	1,017	193	1,210	19.0%	4
Transfer to MOE	2,516	84	2,600	3.3%	
Transfer to Capital	145	(145)	-	-100.0%	
Total Expenses	11,596	568	12,164	4.9%	
Earnings Before Interest, Taxes and Amortization	2,560	(56)	2,504	-2.2%	
Interest & Debt	94		94	0.0%	
Amortization	100	7	107	7.0%	
Net Earnings/(Loss)	2,366	(63)	2,303	-2.7%	

Incremental annual increases or decreases in the 2022 budget amendment request are primarily due to the the following factors: (in thousands of dollars)

Financial Plan Summary Ref. No.	Reason	2022 \$
1	Increases as a result of updated sales forecasts	164
2	Increase due to transfer to IMH from General Municipal revenues, to off-set Internal charges.	388
3	Decrease is a result of the department reducing total headcount as a result of the recent reorganization.	(369)
4	Increase due to new internal expense from Environment Land & Government Realitions (ELR) department. Leased Land activities now fall under (ELR) with a portion being recovered from Invest Medicine Hat.	193

Head Count Reductions and Additions

(reflects the 2021 re-organization adjustments and sustained into the 2022 budget update)

	Reductions	Additions	Net Change
Energy & Infrastructure Division (City Assets)	(2)	-	(2)
Energy & Infrastructure Division (MH Power & Water)	-	3	3
Energy & Infrastructure Division (City Operations)	(3)	-	(3)
Strategic Management & Analysis Division (Strategy & Analysis)	-	1	1
Rate Based	(5)	4	(1)
Energy & Infrastructure Division (MH Power & Water)	-	1	1
Strategic Management & Analysis Division (Strategy & Analysis & Environment, Land, & Government Relations commodity based)	(6)	-	(6)
Energy & Infrastructure Division (City Operations + Engineering)	(23)	-	(23)
Comco Based	(29)	1	(28)
Invest Medicine Hat Division	(3)	-	(3)
Invest Medicine Hat	(3)	-	(3)
General Government	-	1	1
Strategic Management & Analysis Division (City Planning & Project Planning)	-	16	16
Police	(1)	-	(1)
Corporate Services Division	(11)	-	(11)
Public Services Division	(18)	-	(18)
Energy & Infrastructure Division (City Assets & City Operations)	(7)	-	(7)
Tax Supported	(37)	17	(20)
Total City of Medicine Hat	(74)	22	(52)

The positions that impacted the budget was a net reduction of 52 positions (74 positions reduced offset by 22 positions added to restructure to meet Council strategies and budget targets)

Grants

Municipal Operating Budget Impact due to Reduced Grants

	2021 Reduction (in millions)	2022 Reduction (in millions)	Notes
Police Fine Revenue	\$ (0.3)	\$ (0.3)	Province reduced the amount that was forwarded to municipal The portion forwarded to the municipality was approx. 75% and this has been reduced to approx. 60%
Grants in place of taxes (GIPOT)	\$ (0.5)	\$ (0.5)	Reduction of grants for Medicine Hat Provincial buildings; see chart below for percentage reductions
Community Development Grant	\$ (0.1)	\$ (0.1)	
Total Reduction in operating budget	\$ (0.9)	\$ (0.9)	

Municipal Sustainability Initiative (MSI) Grants

	2021 (in millions)	2022 (in millions)	Reduction (in millions)	Notes
MSI Capital	\$ 12.3	\$ 6.4	\$ (5.9)	Approx 50% reduction from 2021 - reduced from \$12M to \$6M in both 2022 & 2023
MSI Operating	\$ 0.4	\$ 0.4	\$ -	Amounts frozen at the 2021 level for both 2022 & 2023

Grants in Place of Taxes (GIPOT)

	Tax Levy (in millions)	Paid by Province (in millions)	shortfall \$ (in millions)	shortfall %
2019	\$ 1.0	\$ 0.7	\$ 0.2	24%
2020	\$ 0.9	\$ 0.5	\$ 0.5	50%
2021	\$ 1.0	\$ 0.5	\$ 0.5	52%
2022	\$ 1.0	\$ 0.5	\$ 0.5	50%

Grants Received

	Grants Received in 2020	Grants Received in 2021
Provincial for Capital	\$ 17,444,873	\$ 25,338,327
Provincial for Operating	\$ 4,023,680	\$ 2,672,025
Subtotal	\$ 21,468,554	\$ 28,010,352
Federal for Capital	\$ -	\$ 130,990
Federal for Operating	\$ 367,185	\$ 114,107
Subtotal	\$ 367,185	\$ 245,097
Total Grants Received	\$ 21,835,739	\$ 28,255,449
Provincial Grants include: Federal Gas Tax; Municipal Operating Support Transfer; Municipal Stimulus Program; Municipal Sustainability Initiative; Family & Community Support Services; Municipal Policing Assistance grant. The City of Medicine Hat has access to \$10.9 million in federal funding under the ICIP COVID-19 Resilience Stream to support infrastructure projects, which has not yet been received.		

2021 Accelerated Financially Fit Initiatives (AFFI)
Focused on Reducing Net Municipal Costs

	Original 2021 AFFI Target (in 000's)	Adjustments (in 000's)	Forecasted 2021 AFFI (in 000's)	
Revenues				
Reserve Optimization & Investment Returns	\$ 1,300	\$ 4,000	\$ 5,300	
Increase penalty rates for utilities and property taxes	250	-	250	
Subtotal	1,550	4,000	5,550	31%
Expenses				
Restructuring efforts & collective bargaining negotiations	7,552	(1,770)	5,782 *	33%
Corporate LVPO/Pcard reduction	1,000	-	1,000 *	36%
Facility closures	875	(57)	818	
Fleet cost reductions	1,614	-	1,614	
Transit on demand	500	-	500	
MW snow & ice reduction & Parks irrigation	500	-	500	
Police Service (reduced training/travel/contracted services)	950	-	950	
Miscellaneous	260	750	1,010	
Subtotal	13,250	(1,077)	12,173	69%
Totals	\$ 14,800	\$ 2,923	\$ 17,723	

*Municipal effort but also impacted Energy/Utilities

Information/items in the above table is sustainable into 2022 and excludes savings that were undertaken in Energy/Utilities

2022 Budget Update

Presented to City Council



November 15, 2021

Agenda

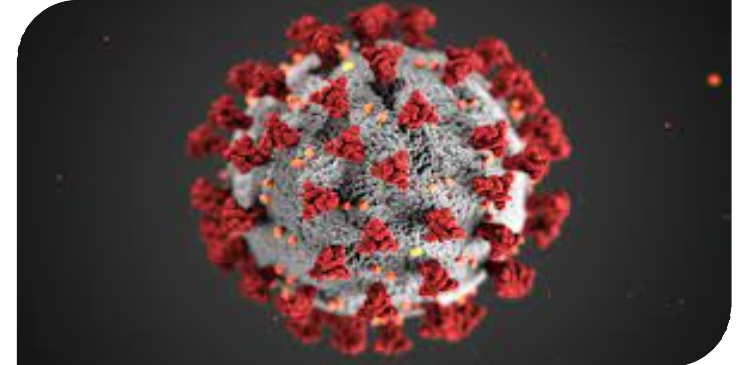
1. Introduction
2. 2022 Budget Update
 - ✓ Municipal (Tax base)
 - ✓ Invest Medicine Hat
 - ✓ Utilities (Rate base)
 - ✓ ComCo (Commodity base)
3. Conclusion

Introduction

- Four year 2019 – 2022 Budget approved by Council on December 17, 2018
- 2022 Budget Update is recommended:
 - ✓ restate management assumptions & estimates
 - ✓ reflect Alberta Fiscal Plan
 - ✓ revise property tax revenue
 - ✓ update 2021 organizational realignment & strategic manpower additions
 - ✓ establish 2022 AFFI targets & related Tax Rate Stabilization reserve funding
- Requesting Council to consider and approve budget before year end 2021

External Environment

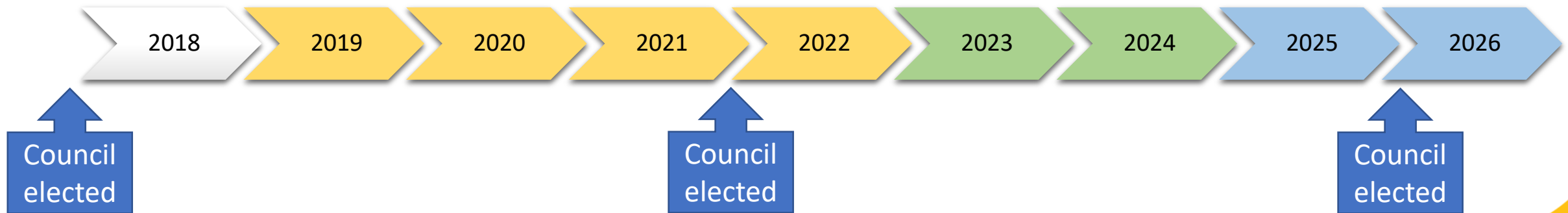
- Reduced Government of Alberta transfers
- Continued market volatility
- Increased impact and uncertainty of COVID



Planning Cycle

Multi year Budgets

- four year planning cycle coincides with Council term – with one year offset
- previous Council approved multi year budgets 2019-2022
 - ✓ budget updates presented & approved as required (2020, 2021 and 2022 proposed)
- newly elected Council will approve multi year budgets 2023-2024 and 2025-2026



Overall Budget Assumptions

- Major assumptions have changed since December, 2018

	2022 Budget Original Approved	2022 Budget Update Proposed	Change
Property Taxes	\$88.3M 4.0%	\$80.8M 2.5%*	(\$7.5M) (1.5%)
Assessment Growth	0.5%	0.5%	0.0%
Debt	\$439M	\$487M	\$48M
Debt Limit	52%	60%	8%
AFFI – Accelerated	\$7.7M	\$7.6M	(\$0.1M)
Reserve Funding	\$7.1M	\$2.5M	(\$4.6M)

** 2.5% tax revenue increase = approximately \$2M with tax bylaws to follow in Spring 2022*

Overall Budget Objectives

- Meet all statutory & legislative requirements
- Delivery of quality municipal services valued by residents
- Competitive property tax rates and utility rates
- Financial sustainability & resilience
- Preserve and enhance the “Medicine Hat Advantage”

Municipal Operations



Municipal 2021 In Review

- COVID restrictions continue to negatively impact facilities, airport, transit and permit revenues
- Cost control & mitigation plans in place (workforce reduction; organization realignment; reduced training; higher investment returns)
- \$14.8M Financially Fit target expected to be met
- Reserve funding of up to \$7.8M required to balance the budget
- Budget expected to be met at year end
- Dedicated staff with innovative solutions continuing

Municipal 2022 Budget Assumptions

- **Property Tax Revenue: 2.5% increase (i.e. target Alberta CPI inflation) + 0.5% assessment growth**
- **Wages & Salaries: 2% increase**
- **Operating Adjustments due to:**
 - **Re-organization (voluntary & involuntary staff reductions and related interdepartment allocations)**
 - **AFFI – permanent mitigation efforts (including new target for 2022)**
 - **Decrease in transfer amount from the Tax Rate Stabilization Reserve**
- **No change due to COVID-19 (unless permanent in nature)**

Municipal Operations – Cash Requirements

Municipal Operations Operations (in millions)	2021 Budget Update Approved	\$ Change	2022 Budget Update Proposed	% Change
Revenue	\$117.4	\$7.1	\$124.5	6.1%
Expense	\$120.2	\$4.6	\$124.8	3.8%
Net	\$(2.8)	\$2.5	\$(0.3)	-91.0%
Internal Transfers (net)	\$10.4	\$2.0	\$12.4	18.9%
Net Cash Requirement before Transfers	\$7.6	\$4.5	\$12.1	60.1%
Capital Requirements	\$(9.8)	\$(0.8)	\$(10.6)	8.2%
Transfer From / (To) Reserves	\$2.2	\$(3.7)	\$(1.5)	-167.6%
Net Cash Requirement	\$0	\$0	\$0	

Internal Transfers

Corporate Wide Services

Municipal Operations:
Corporate Services

Strategic Management
& Analysis:
Integrated Project
Planning; Strategy &
Analysis

Internal Transfers are:

The distribution of costs in
recognition of services provided
to the operational departments

Internal Transfers

Self Sustaining & Other Operating Divisions

Energy &
Infrastructure:
Utilities; Comco

Fleet; Building
Services;
Municipal Works;
Public Services

Invest Medicine
Hat

Municipal Operations – Cash Requirements

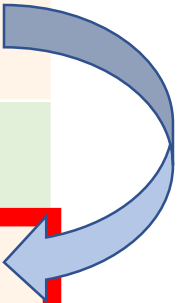
Key changes:

- 2.5% property tax increase plus 0.5% increase for assessment growth
- Increased Investment income to align with revised investment strategy
- Salaries & Wages – 2% increase plus strategic manpower adjustments and 2021 organizational realignment
- Internal recoveries and charges recalculated to align with the 2021 organizational realignment
- AFFI target updated to \$7.6M – to be funded 1/3 from reserves and 2/3 from new revenue sources & expense reductions

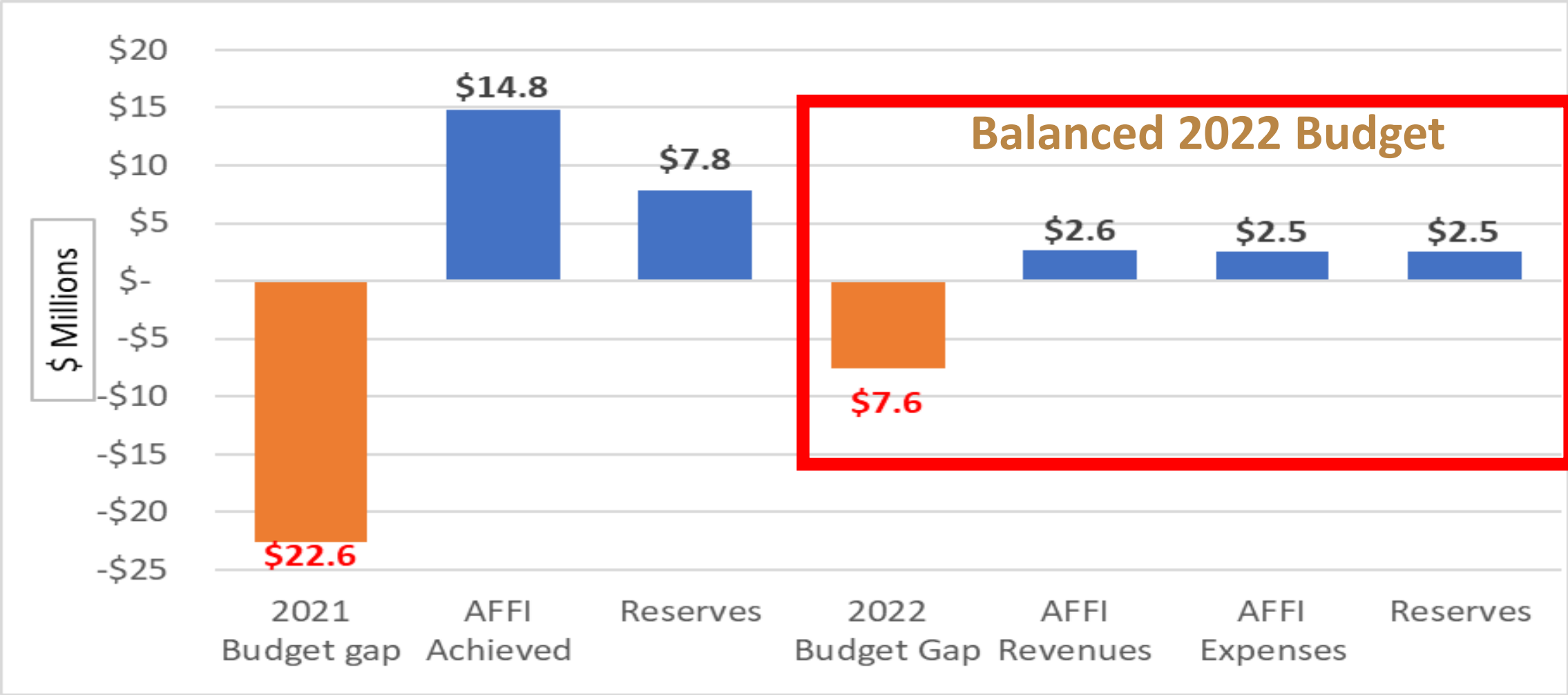
Property Taxes

- Property taxes reflect challenging economic environment of the community

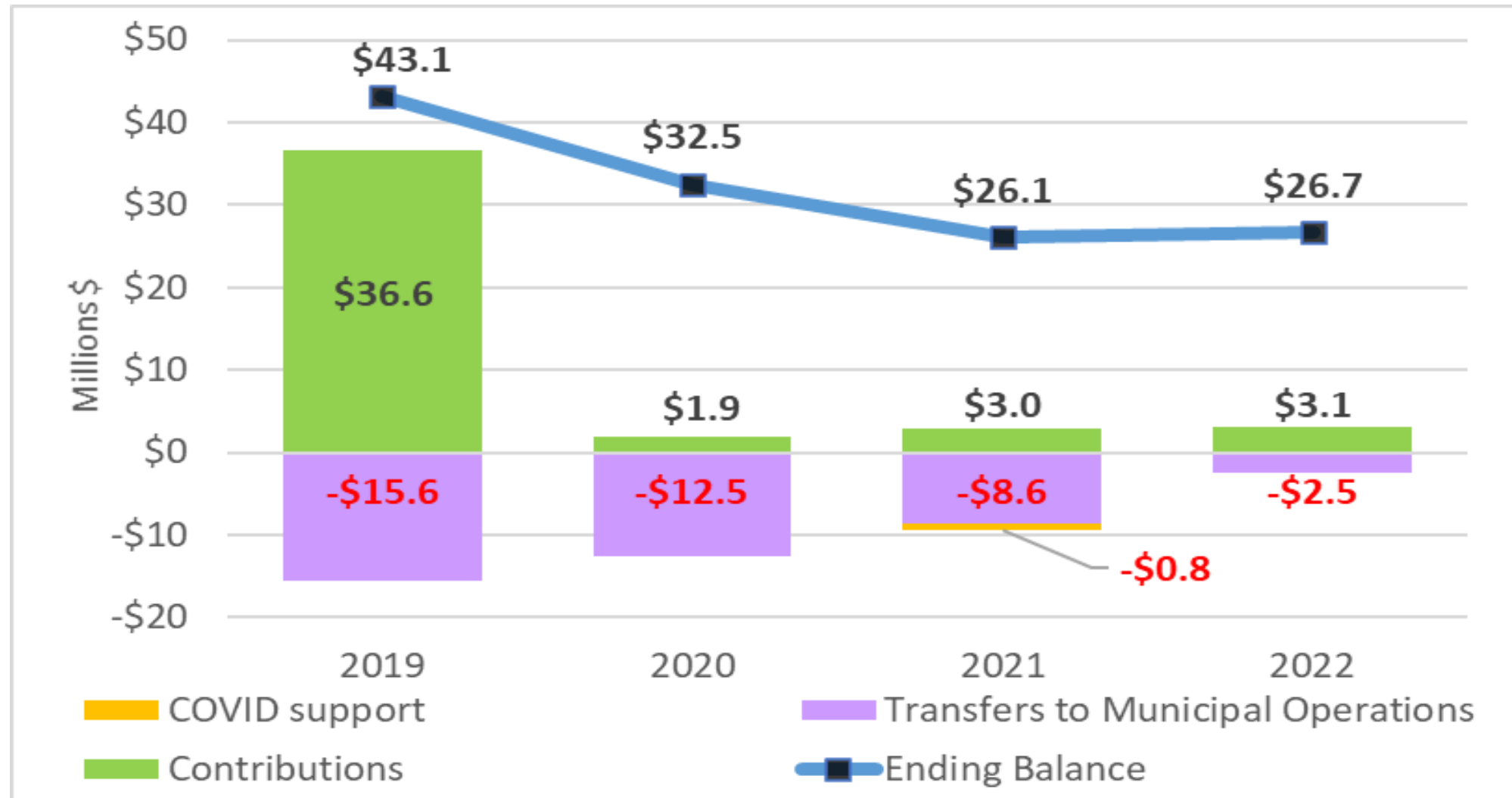
	2019	2020	2021	2022
2019-2022 Operating Budget December 17, 2018	4.0%	4.0%	4.0%	4.0%
2020 Budget Update December 16, 2019		3.5%	4.0%	4.0%
COVID Assistance Package – one time May 4, 2020		\$3.9M		
2021 Budget Update December 7, 2020		0.0%	0.0%	4.0%
Non-residential value decrease – one time December 7, 2020			\$0.8M	
2022 Budget Update November 15, 2021				2.5%



Accelerated Financially Fit Initiative (AFFI)



Tax Rate Stabilization Reserve:



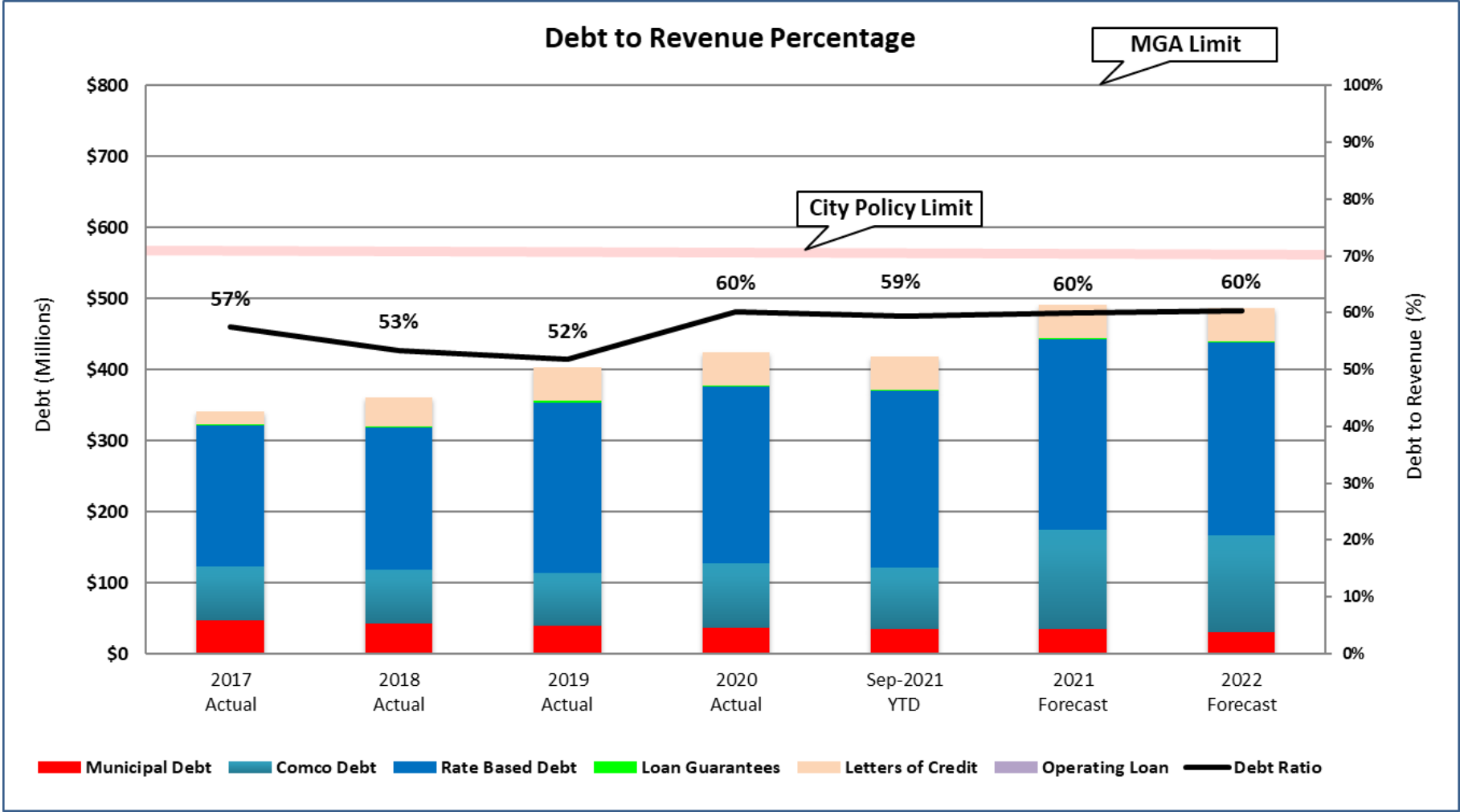
Municipal 2022 Proposed Capital

CAD \$ (in millions)	2022 Approved Budget Original	\$ Change	2022 Budget Update Proposed	% Change
Tangible Capital Assets (TCA)	\$16.3	\$0.0	\$16.3	0%
Total	\$20.1	\$0.0	\$20.1	0%

TCA:

Police Services – \$23K funded by third party contribution for a mobility hardware in support of the use of Health IM, a mobile application.

Debt to Revenue (forecast as of September 30, 2021)



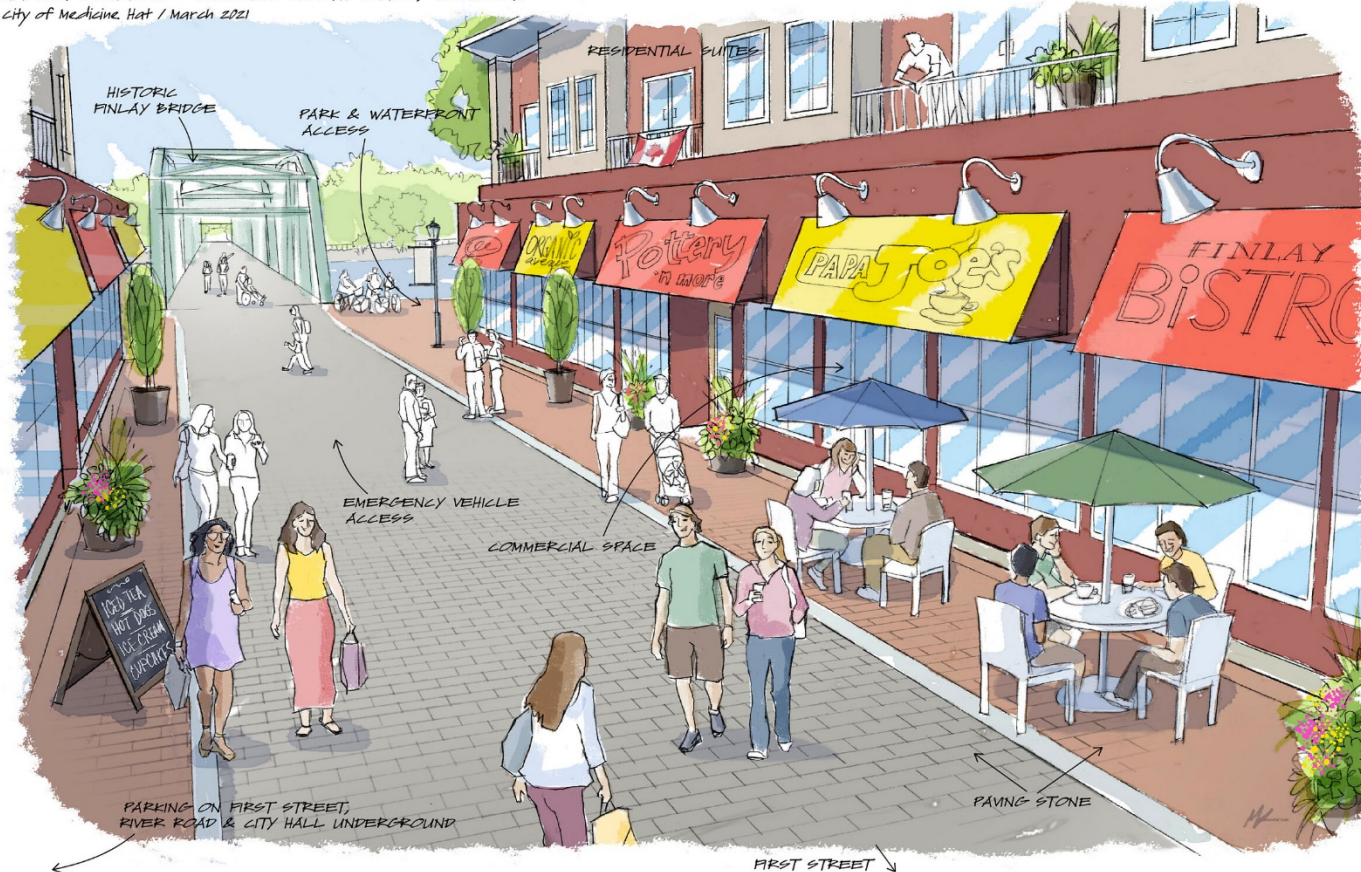
Recommendation – Budgets

That City Council approve:

- **2022 Municipal Operations Operating and Capital Budget Update**

Invest Medicine Hat

MARKET COMMONS - LOOKING NORTH (EARLY CONCEPT)
City of Medicine Hat / March 2021



Waterfront District Conceptual Drawing

Invest Medicine Hat – EBITDA

Invest Medicine Hat Based Business (in millions)	2021 Budget Update Approved	\$ Change	2022 Budget Update Proposed	% Change
Revenue	\$14.2	\$0.5	\$14.7	3.6%
Expense	\$11.6	\$0.6	\$12.2	4.9%
Earnings Before Interest, Taxes, Depreciation and Amortization*	\$2.6	\$(0.1)	\$2.5	-2.2%

*EBITDA funds to be used largely for future capital expenditures.

Invest Medicine Hat – Key Changes for 2022

Variability in IMH's revenue & expense expectations for 2022 are primarily driven by changes to land sales expectations given the near-term economic environment.

Updated Management Assumptions for 2022:

- Updated land sales forecasts have increased revenue expectations by \$164k while increasing expenses (cost of land sold) by \$782k
- Balance of variance in revenue expectation is driven by a change in internal recoveries
- \$782k increase in cost of land sold expectations is partially offset by an expected reduction to salaries of \$369k
- IMH remains focused on attracting investment and increasing the City's tax base through de-risking city-owned lands to market industrial, commercial and multi-use land opportunities

Recommendation – Budgets

That City Council approve:

- **2022 Invest Medicine Hat Operating Budget Update**