



CHIEF FINANCIAL OFFICER

Report

First 4 Months of 2020

August 27, 2020



Medicine Hat
The Gas City

Agenda

- 1. 2019 - Rear View Mirror**
- 2. 2020 - The New Reality**
- 3. Key Fiscal Measures**
- 4. What's Next**

2019

Rear View Mirror

2019 - Now In The Books

KPMG – Clean Audit Report:

- ✓ **Municipal surplus - Financially Fit efforts continue**
- ✓ **Energy/Utilities - results highlight volatility**
- ✓ **strong balance sheet - leverage opportunities**

+

**Municipal
Budget**

**Energy/Utilities
Budget**

=

**City of
Medicine Hat**

INVESTMENTS

\$476M

CAPITAL ASSETS

\$1,381M

DEBT

\$403M

FORMAL RESERVES

\$141M

2020

The New Reality

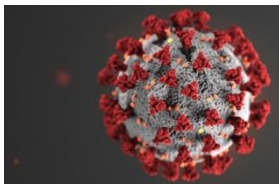
2020 - External Forces

Alberta Fiscal Plan



Medicine Hat
The Gas City

Oil Price War



COVID-19



Global Recession

Impact to CMH



CMH Response - What Are We Doing

Role Clarity

- **Municipality - safety of residents & employees - and aligned**
- **Province - public health directives / income assistance**
- **Federal - income redistribution / program funding**

Business As Usual ... In Unusual Times

- **Services delivered in alternative ways**
- **Construction renewal projects continue**

Operations

- **Facility closures**
- **Cost mitigation including layoffs**
- **Strategic relaunch plans to the new normal**

| Key Fiscal Measures

Key Fiscal Measures

Year To Date

- **COVID-19 impact offset by mitigation plans**
- **strong revenue due to electricity sales price \$5.0M**
- **NGPR cost savings due to strategic shift \$2.4M**

For The Year

- **municipal budget on track - COVID impact \$10.5M**
- **reduced electricity sales and increase input cost \$3.0M**
- **reduced NGPR sales price and volume \$14.3M**
 - **FF / SOT team active**
 - **IMH engaged**
 - **debt limit in check**
 - **investments recovering**

A) Relief Package - Up to \$8.2M

Council Resolution May 4, 2020:

- ✓ Residents & Businesses - financially impacted
- ✓ City Council - recognized needs of community
- ✓ Funding - by Reserves

TAX CANCELLATION	PAYMENT DEFERRAL	LOCAL BUSINESS	VULNERABLE SUPPORT	ECONOMIC DEVELOPMENT
\$3.9M	\$0.3M	\$2.0M	\$1.0M	\$1.0M

B) NGPR - Reducing Our Well Count

- **Eliminated cost related to \approx 2,000 gas wells**
- **Fund the Program - preserve investment \$150M**

Business Case

- **low commodity price**
- **annual cash loss**
- **no price recovery in sight - not viable**

Cost \approx \$125M

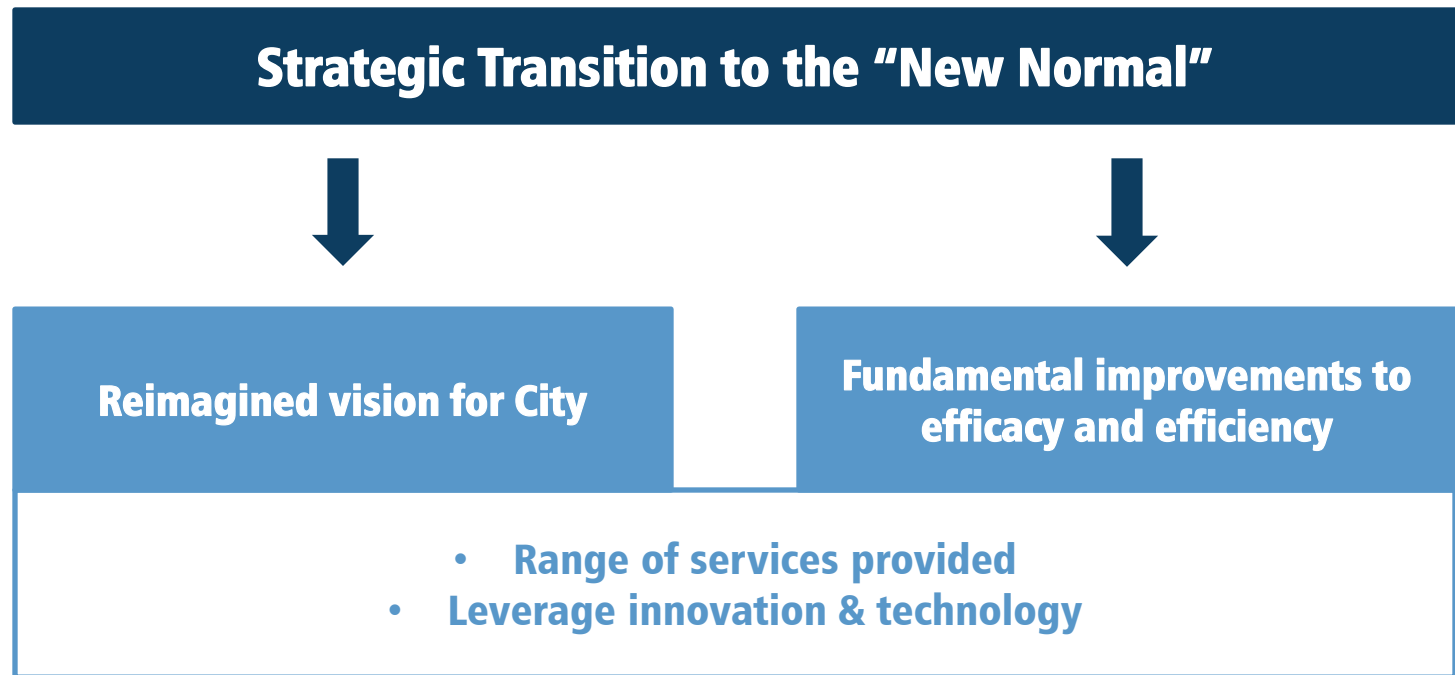
- **abandonment**
- **reclamation**
- **land lease**
- **property taxes**

Funding Source

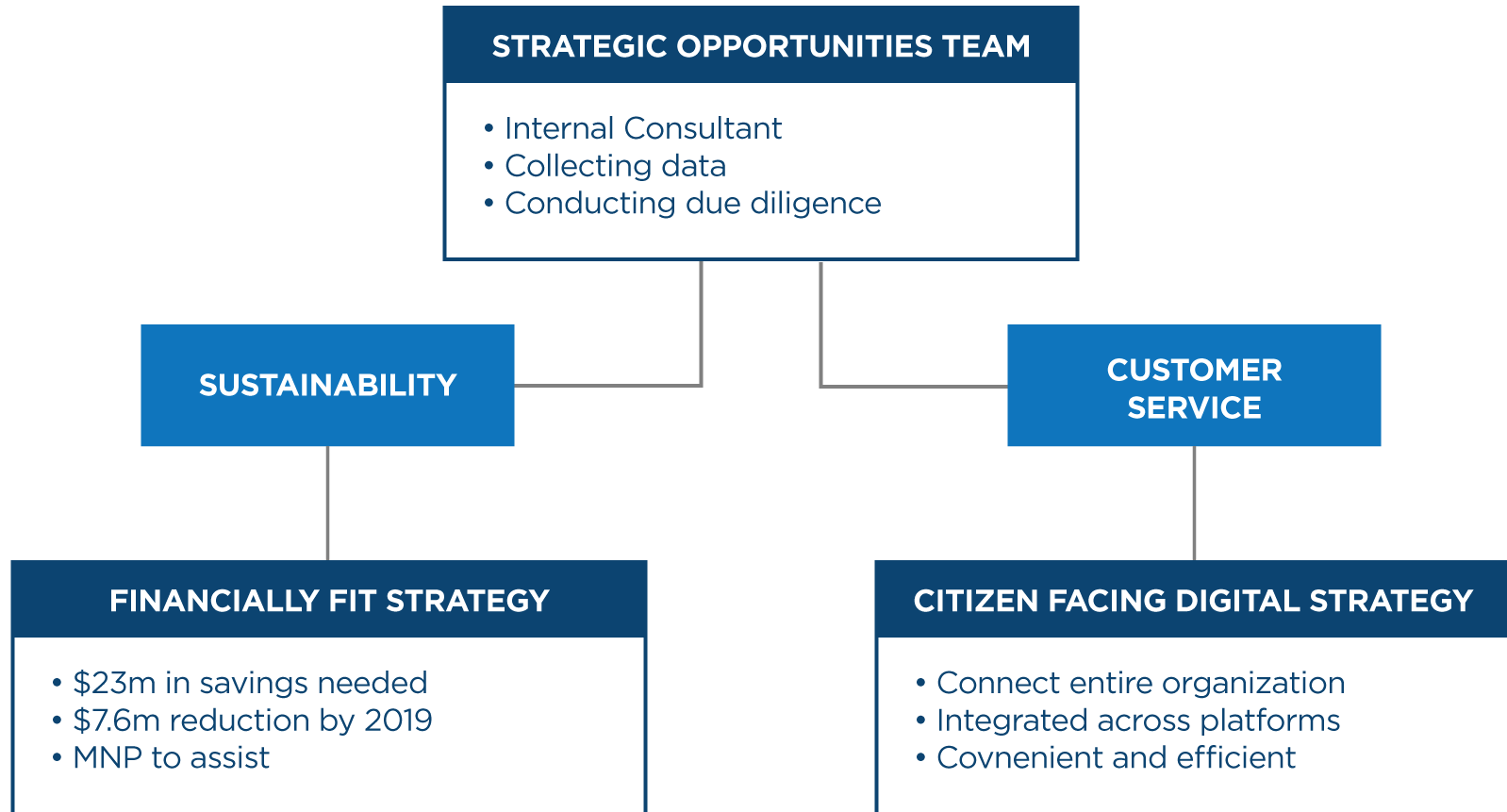
- **cash \$45M**
- **debt \$80M**
- **debt service by investment income**
- **preserve principle**

C) Financially Fit – Seizing Opportunities

A pessimist sees difficulty in every opportunity; an optimist sees opportunity in every difficulty. - Winston Churchill



Strategic Opportunities



| What's Next

What's Next - The Road Ahead

- **Continued headwinds**
- **Redefining fundamental cost structure of local government**
- **Impact of COVID-19**

Our Advantage - Well and Alive

Achieving the right balance for the “Medicine Hat Advantage”

- ✓ **CMH - supporting innovation & entrepreneurship**
- ✓ **Infrastructure - well managed and reliable**
- ✓ **Community safety - highly competent and versatile emergency and protective services**
- ✓ **Resources - leverage economic growth (land, water, gas, electricity)**
- ✓ **Heritage Saving Reserve - creating an endowment for residents**
- ✓ **Amenities - culture, recreation, trails & outdoor, facilities**
- ✓ **Taxes & utilities - continued advantage compared to peers**

| End