

# Chamber of Commerce - Sustainable Municipal Finances

## Questions:

1. Is the Financially Fit or Accelerated Financially Fit still something the City uses or is there a different plan/recommendations currently being used to guide the City financial budgeting processes? This is no longer formally called Financially Fit or Accelerated Financially Fit. However, the City continues to look at strategies to provide sustainable revenues, cost savings opportunities as well as service level reductions where possible. Councils Strategic Plan (item 6.1 – ensure the City has healthy finances and long-term financial stability, while maintaining organizational health and resilience) as well as the Corporate Strategic Objectives (item 3.1 and 3.2 on the attached) focus on financial sustainability. This includes eliminating the municipal budget gap without support from financial reserves.
2. Is the City currently budgeting at population + inflation or is there a different benchmark/metric used? Currently, the recommendation to Council is to align with Inflation plus assessment growth (new construction) – this ensures that we are keeping pace with inflationary pressures and changes in the market. This method also aligns with our tax principle of predictable and stable taxes. Other municipalities have seen significant increases in their property taxes over the past few years. CMH’s objective is to achieve sustainability and consistency in our property tax rates to minimize significant fluctuations from year to year.
3. Is the City still participating in the Municipal Benchmarking initiative? I know there were a number of municipalities withdrawing from the project so not sure if there is still enough active participants? The Municipal Benchmarking project has ended however the reports on seven service areas are still posted to the City website. A number of municipalities withdrew from the project as there was a significant amount of time and effort required to ensure we were comparing “apples to apples”. CMH has done very well when compared against other municipalities in the benchmarking initiative.
4. A statement that the City is spending 20% more year-over-year than what is brought in and that it’s not a budget issue, it’s a systemic issue. I wondered if you could clarify that statement, as a 20% increase year-over-year is quite significant, and that didn’t quite sound right to me? Municipal gap of \$27M divided by approximately \$120M in municipal cash expenses = 23% representing municipal services being funded by relying on a non-sustainable commodity-based revenue source. It is a systemic issue however since then we reduced original \$27M municipal budget gap in 2022 to \$9M and in 2023 to \$7M. The eventual target would be to eliminate the municipal budget gap without support from financial reserves.
5. The Energy Dividend/Dividend policy: I was curious if that will now be part of the third party review? We are expecting some information to come from the third-party review which would provide recommendations to our dividend policy; We are not asking them to specifically review our policy but a recommended change to our business model may impact our current policy.

6. The idea about the “Defining the Medicine Hat Advantage” session and whether that could be a valuable Town Hall discussion? Perhaps an overview presentation, fireside chat or panel presentation, but then open Q & A to shed more light on that question/topic that seems to keep surfacing? Not sure if that would be of interest, but I thought something to try to stimulate a conversation and answer that question and hear directly from the experts within the City with the opportunity for businesses to ask questions. Food for thought if you think there is value. [Thank you for this suggestion, we can pass this on to our groups for consideration.](#)

## Policy Recommendations

The Medicine Hat & District Chamber of Commerce recommends that the City of Medicine Hat

1. Continue to implement and measure the recommendations and opportunities outlined in the Financially Fit for the Future plan;  
[This is no longer formally called Financially Fit or Accelerated Financially Fit. Since 2016 the City has made a significant effort in financial sustainability \(municipal budget gap reduced from \\$27M to \\$7M in 2023\) and continues to look at strategies to provide sustainable revenues, cost savings opportunities as well as service level reductions where possible.](#)  
[Councils Strategic Plan \(item 6.1 – ensure the City has healthy finances and long-term financial stability, while maintaining organizational health and resilience\) as well as the Corporate Strategic Objectives \(item 3.1 and 3.2\) focus on financial sustainability. This includes eliminating the municipal budget gap without support from financial reserves.](#)
2. Work with stakeholders through budget consultations to move towards a more responsible financial management plan focused on long term certainty and predictability in City budgets;  
[The Budget process for 2025-2026 has been refined and includes more scheduled opportunities for Council deliberations at various points throughout the budget process.](#)  
[A number of our policies/procedures that have been implemented focus on maintaining appropriate reserve balances/levels to meet current and future needs \(i.e. distributable cash & dividend policy, investment policy, debt management policy\). This has enabled us to achieve our current objectives as well as focus on long term sustainability.](#)
3. Plan future capital expenditures using a specific set of prioritization criteria inclusive of cost-benefit analyses and an analysis of the impact on all operations budgets especially related to additional ongoing staffing requirements; [We](#)

have engaged a consultant to review our capital process and we are in the process of implementing a re-designed ranking criteria for our capital projects. This is expected to be implemented as part of the 2025-2026 budget process.

4. Continue to remain well within permitted limits when using debt to finance capital projects and remain sensitive to the impact of debt servicing costs on the City's annual operations budget;

The MGA debt limit for CMH is 2 times revenue, the City's internal debt limit is 70%. Debt limits are monitored on a monthly basis to ensure that our current and future requirements remain within the City's internal debt limit of 70%. This is adhered to as a result of the volatile revenues from commodities where a significant reduction in revenues could increase our debt percentage over our debt limit.

When funding capital projects we review and select the most advantageous sources of funding available and try to appropriately balance the funding from debt and reserves. We also want to maintain targeted debt to equity ratio within our business units, so this is also taken into consideration when determining funding sources.

5. Target to keep spending and property tax increases that support City operations to a benchmark maximum of population growth plus inflation;

Recommendations to Council has been to align increase in property taxes to inflation and assessment growth. This ensures that we are keeping pace with inflationary pressures and changes in the market. We also account for assessment growth (new construction) in determining our tax revenue targets. This method also aligns with our tax principle of predictable and stable taxes. CMH's objective is to achieve sustainability and consistency in our property tax rates to minimize significant fluctuations from year to year. There was a 0% increase in property taxes during COVID (2020 & 2021), this has put the City in a "catch up" mode to now bring property taxes in line with inflated expenses.

6. Streamline business to City interactions through red tape reduction initiatives; City processes are continuously being reviewed to ensure they are efficient and streamlined. Further, the recent Corporate Strategic Objectives highlights our commitment to a culture of partnership to ensure that we are advocating for our stakeholders. This includes finding creative and innovate ways to move from status quo.

7. Continue participation in the Alberta Municipal Benchmarking Initiative and evaluate the standards; The Municipal Benchmarking project has ended. A

number of municipalities withdrew from the project as there was a significant amount of time and effort required to ensure we were comparing “apples to apples”. A copy of the reports for seven service areas that have been completed are posted to the City website [Plans, Reports and Studies - City of Medicine Hat](#)

8. Implement a policy of rewarding departments and individuals for maintaining favourable actual to budget positions;  
Departments make every effort to ensure budgets are maintained however there are external factors beyond our control that can have a negative impact such as inflation impacting materials and supplies, fuel prices, union contracts settling at higher rates than what was included in the budget, loss of provincial/federal grant funding, volatile commodity prices etc. Management reporting is prepared and is reviewed on a regular basis by the leadership team and on a tri-annual basis by the Audit Committee.
9. Evaluate vacant positions as to their continued relevance and cost to sustain the position.  
Positions and staffing are reviewed on a regular basis. The past couple of divisional realignments created a new structure to allow the organization to operate more efficiently and effectively, improve collaboration across departments and encourage seamless service delivery for internal and external stakeholders.
10. Maintain awareness of amalgamation possibilities in the area and associated costs;  
The Intermunicipal collaboration framework has been implemented and provides a framework for discussion with our regional partners.
11. Provide justifications during budget proceedings and year end analysis for anything that exceeds the inflation plus population growth benchmark greater than 5% or a minimum of \$50,000.  
The 2025-2026 budget process will include dedicated Council deliberations that focus on new initiatives from prior year and resulting tax impact. Further, variance notes/explanations are provided on the Tri-annual and year end reports for variances that are greater than \$50K for municipal operations and \$100K for utilities & energy. As well, Budget notes/explanation are provided on variances that are greater than \$50K for municipal operations and \$100K for utilities & energy.