Mountain View
COUNTY

Executive Summary — 2012 Budget

Highlights

The overall economic outlook for Mountain View County in 2012 continues to be for moderate to low growth. Tax revenue is expected to be 4% above tax revenue received in 2011. This increase is largely driven by the need to collect more in Education Taxes on behalf of the Provincial government. The average residential rate payer can expect to see the amount of taxes they pay go up by 4.1%.

Overall expenses are increasing by $2,159,000. This increase is driven primarily by an Education Requisition increase ($983,000) and amortization expense ($1,720,000). The increase in the Education requisition is supported by an increase in Education taxes. Amortization is a non-cash item that is not directly supported by tax revenue. The County's capital replacement and renewal plans and the funding sources that support them are outlined in Appendix 3 - Capital.

Cash balances are expected to continue to increase as Council sets funds aside for future capital renewal which includes the rebuilding of the Acme Road which is planned for 2013.

As a package, the 2012 Budget sustains the County's strong financial position.

Taxes

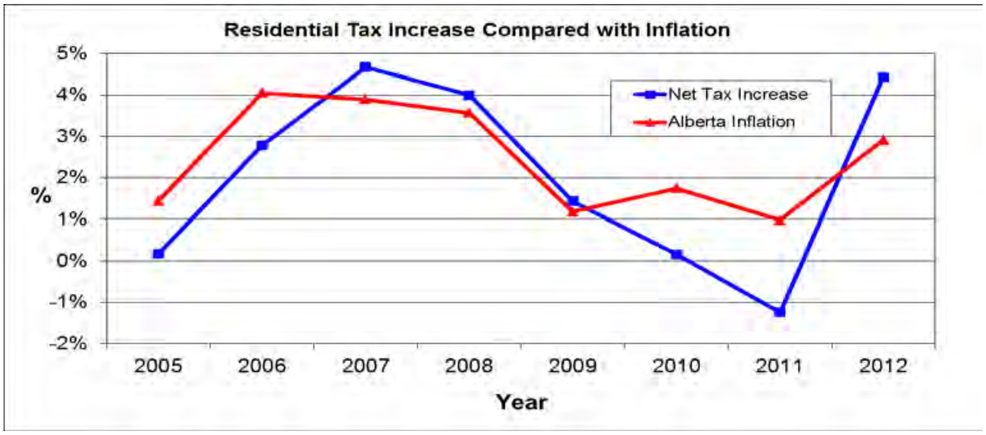
Overall - The budget is based on a 4.1% tax increase for residential properties and a 2.7% increase for farmland.

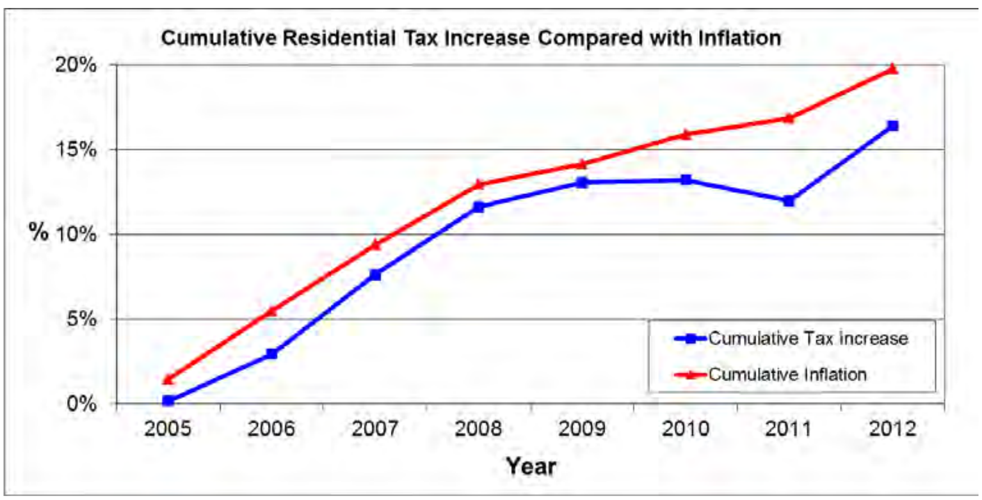
Non-residential tax payers are expected to see, on average, a 0.5% increase in the amount they pay in taxes.

All of the above tax increases are directly related to a 8.2% increase in the Alberta School Foundation Fund (ASFF) requisition which municipalities are required to collect on behalf of the Provincial government.

Municipal Component of Taxes - Property owners who have made no changes or improvements to their properties would expect, on average, to pay the same amount of taxes to support municipal activities as they did in 2011. This is the third consecutive budget year that there hasn't been a municipal tax increase.

Overall municipal tax revenue is expected to increase by $292,600 (1%) when compared to the 2011 budget or by $496,000 (2%) when compared with 2011 actual results. This increase is driven by new properties which have been added to the County's assessment base.





As indicated by the above charts residential tax increases have generally followed inflation. In 2010 and 2011 the increases were below inflation and in 2012 the residential tax increases are above the rate of inflation. The 2012 increase is driven by the increase in Education taxes.

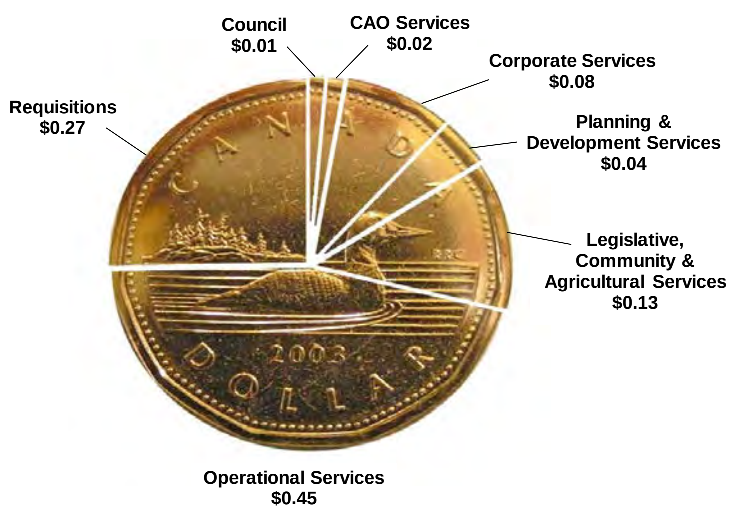
Expenditures

Excluding the impact of amortization operating expenses are budgeted to increase $439,000 in 2012. With amortization, operational expenses are budgeted to increase 5% or $2,159,000 in 2012. Amortization is a non cash item (i.e. the funds to acquire the assets were spent in previous years) so this change has no impact on the County's cash position and doesn't directly increase the amount of funds the County needs to collect for current year operations. Refer to Appendix 3 – Capital for a further explanation of the County's Capital program and the related funding.

Although there are many small increases and decreases in expenses the following indicates the significant changes in expenses expected in 2012:

- increase of $1,720,200 in amortization expense
- increase of $983,000 in the Education Requisition
- decrease of $405,000 related to re-organization cost savings
- increase of $90,000 related to an airport manager
- increase of $108,000 in expenses to support funding for recreation and library facilities,
- increase of $101,000 to support fire authorities,
- increase of $270,000 related to a 3% cost of living adjustment
- increase of $95,000 for salaries and wages of employees as they move through the steps of the salary and wage grids,
- increase of $358,100 related to Operational Services road maintenance programs,
- decrease of $1,096,000 related to non-recurring projects.

Operating Expenses



Operational Services

The County spends a large portion of its budget on its road infrastructure. Road maintenance and the amortization of assets related to the County's road network accounts for 45% of the County's operational budget and 97% of the 2012 capital expenditures are related to roads.

The total capital program for 2012 is $16.2 million. The 2012 capital expenditures include $3.1 million for bridge replacements. Along with a few smaller projects $2.7 million is planned to replace the Big Prairie Bridge which was destroyed by fire. As well, the County is re-surfacing the Burnt Timber Road as a joint project with the Municipal District of Big Horn and Shell. Mountain View County is managing the project and it will cost $5.4 million in total but $2 million dollars of the project is within Big Horn. Local road projects total $3.2 million and include the surfacing of Township Road 332 for $1.5 million and road base work on Range Road 12 at a cost of $800,000. The recurring re-gravelling and re-chipping programs round out the road capital program at $1.9 and $3.0 million dollars respectively.

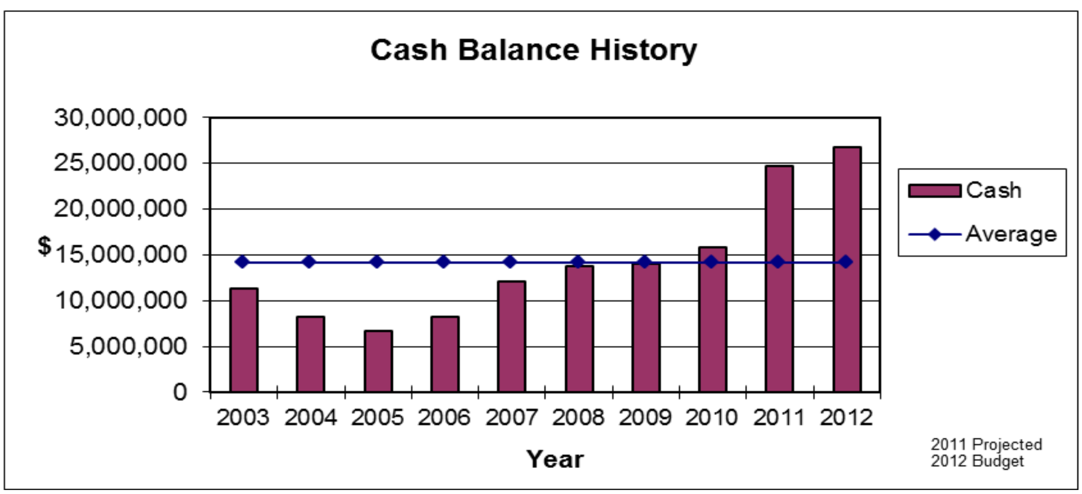
Capital Funding

With the implementation of tangible capital asset reporting there is now more detailed information available regarding the County's assets. Although there has always been an appreciation that more could be invested in County infrastructure the more detailed information makes it easier to analyse the County's various asset classes.

There is much talk of infrastructure deficits and the County is facing pressures similar to those of other local municipalities. With property taxes as the primary revenue source it is difficult to raise sufficient funds to sustain our infrastructure. Without capital grants the County has a $2.9 million operating deficit. It's only through grants from other levels of government that we are able to achieve a surplus that helps support the renewal of the County's infrastructure. Included in Appendix 3 – Capital are a number of multi-year plans which detail how the County plans to renew its infrastructure in the coming years.

Cash

Cash balances are expected to increase by $2 million in 2012. This will bring the balance to $26.7 million. The increase in cash is driven primarily by deferred grant funds which are expected to accumulate over 2011 and 2012 in order to fund a $6.1 million upgrade to the Acme Road in 2013.



Requisitions

The Provincial government Education Tax Requisition increased by 8.2% or $842,000. This is well above the levels of previous years. The County's proportionate share of the requisition is based on the average of equalized assessment amounts over a four year period. The requisition amount is $11.1 million for 2012.

In 2012 the Senior's Housing requisition will be $312,000 and the Regional Waste Management requisition will be $137,000. Both are at levels similar to 2011.

Grants

In the past number of years the Provincial and Federal governments have increased their grant funding to municipalities. These grants have helped the County increase capital expenditures on road infrastructure. Although the increases haven't been as large as initially indicated they play a significant role in funding capital replacements.

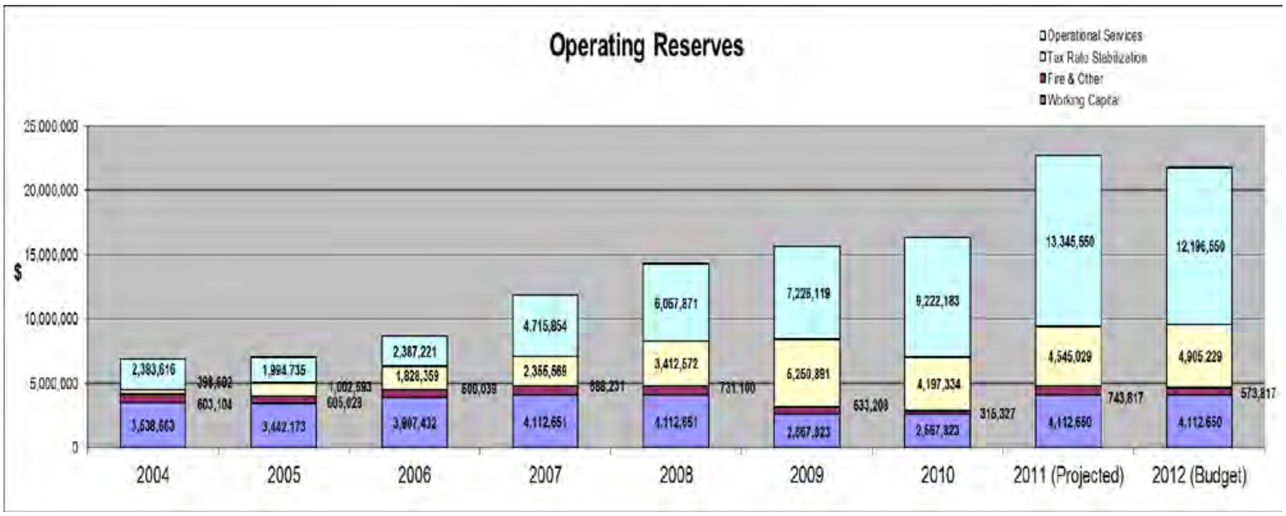
At the Provincial level the County receives funding under the Municipal Sustainability Initiative (MSI). In 2012 the County is eligible for just over $4.4 million from MSI. The majority of 2012 allocation is being set aside in deferred revenue and is expected to be used to fund the upgrading of the Acme Road in 2013.

At the Federal level the Federal Gas Tax program is expected to continue with the County eligible for $700,000 in funding in 2012. The County is using $1.3 million in funds from this grant from 2011 and 2012, along with a $1.4 million grant from Alberta Transportation, to fund the Big Prairie Bridge replacement.

Overall, in 2012, the County is planning on using $9 million in grants and funding from other 3rd parties to fund a significant portion of the 2012 capital program.

Reserves

In 2012 the County's operating reserves are expected to decrease by 4% or $959,000. This is primarily due to a reduction in funds that are being transferred to operating reserves.



Capital reserves are expected to increase by $1.1 million. Overall transfers from reserves are supporting just under $3 million of the 2012 capital program.

Personnel Costs

There is one new position planned in 2012. The position is for an airport manager.

Wage and salary pressures have moderated in Alberta and inflation has remained relatively low. A 3% cost of living adjustment to the County's wage and salary grids is reflected in the 2012 budget. This increase follows the rate of inflation in Alberta. The impact of the cost of living adjustment is $270,000.

Strategic Directions Plan

Currently the County is operating based on a short term strategic directions plan that was established shortly after the 2010 municipal election. Many of the objectives have been met with the hiring of the CAO, a review of the Planning and Operational Services departments and the MDP plan review that is nearing completion.

The short term strategic directions plan established objectives in six areas:

1. Chief Administrative Officer (CAO) recruitment
2. Assessment of the organizations and processes of the Planning and Development Services and Operational Services departments
3. Municipal Development Plan (MDP) review
4. Development of an effective public participation program
5. Staff issues action plan

6. Establishment of realistic benchmarks for service

Council plans to review their strategic direction in 2012.

Details of the strategic direction plans are contained in Appendix 7.