Executive Summary 2014 Budget

Highlights

The overall economic outlook for Mountain View County in 2014 continues to be moderate growth. The majority of the assessment growth continues to be new oil and gas wells. Tax revenue is expected to be 5% above the budgeted tax revenue received in 2013. Of the $2 in additional tax revenue $1.7 million is available to the County. The average rate payer, in all assessment categories, can expect to see the amount of taxes they pay go up by 1%.

Overall expenses are increasing by $1.9 million. This increase is driven primarily by an increase in the amount of fire equipment planned to be purchased in 2014 ($434,000), net salary creases ($230,000) and road maintenance expense ($215,000). The increased fire equipment costs are supported by the Fire Reserve. The increased salary costs and road maintenance costs are supported by additional tax revenue.

Capital expenditures are expected to be just over $18 million. Almost all the capital program focuses on the County's road infrastructure with the single largest project being the continuation of the re-construction of the Acme Road at a cost of $7.7 million in 2014. This is the second phase of a two phases project.

Cash balances are expected to drop by just under $1.4 million to fund the large capital program planned for 2014.

Even in a year with a large capital program Council continues to add funds to capital reserves which are expected to grow by $2.6 million in 2014. These reserves will help sustain the County's infrastructure in future years.

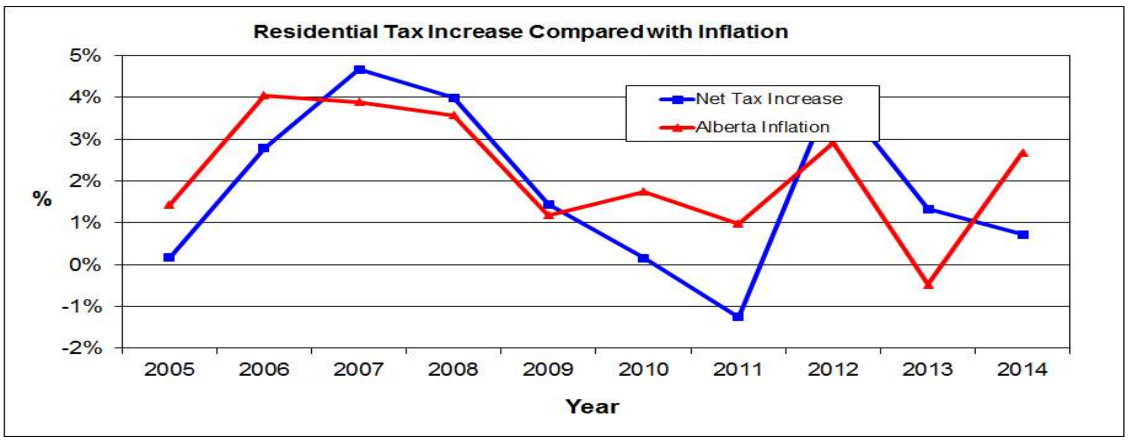
As a package, the 2014 Budget sustains the County's strong financial position.

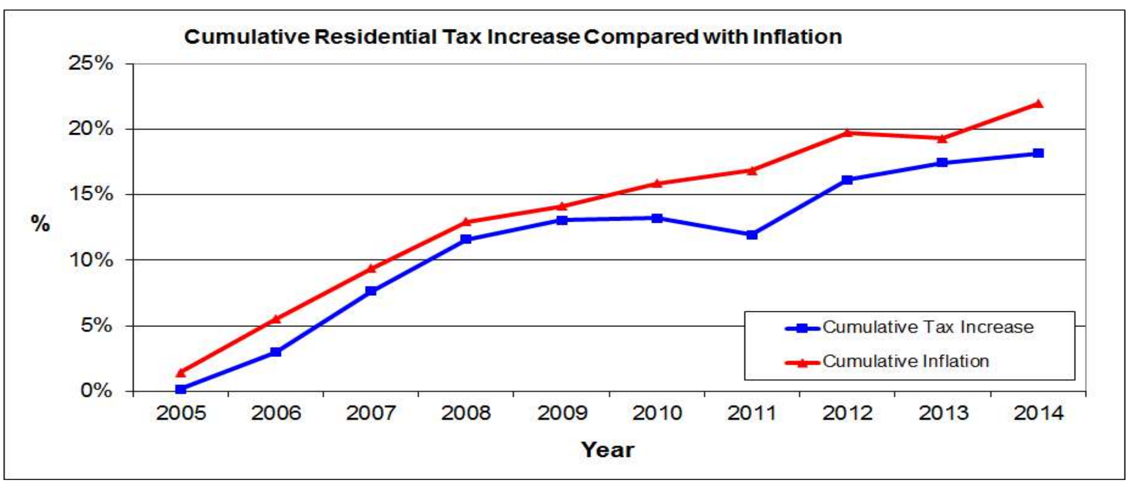
Taxes

Overall - The budget is based on a 1% tax increase across all assessment categories. This means that if a residential tax payer had their assessed value increase by the average market increase of 2.83% they would pay 1% more in taxes in 2014 compared to 2013. If their house's value increased by less than the average for the County they would have less than a 1% increase. If the value increased by more than the 2.83% they would have more than a 1% increase.

Municipal Component of Taxes – In both 2013 and2014 the municipal component of the property taxes has increased. This is after three years where the municipal component decreased. Property owners who made no changes or improvements to their properties would expect, on average, to have paid the same or less in taxes to support municipal activities in 2010 - 2012. In 2013 and 2014 there is an increase in the amount the average rate payer will pay to support municipal services. Adjusting out the impact of changes in property values the municipal component, of taxes paid, will increase 4.7% for residential and 3.5% for farmland. This follows 3 years where there has been no increase in the municipal component for these two classes. The municipal component increase is 1% for non-residential which corresponds to the overall tax increase of 1%.

Overall municipal tax revenue is expected to increase by $1.7 million (6%) compared to the 2013 budget increase of $2.1 million (8%). The majority of this increase is driven by new properties which have been added to the County's assessment base.



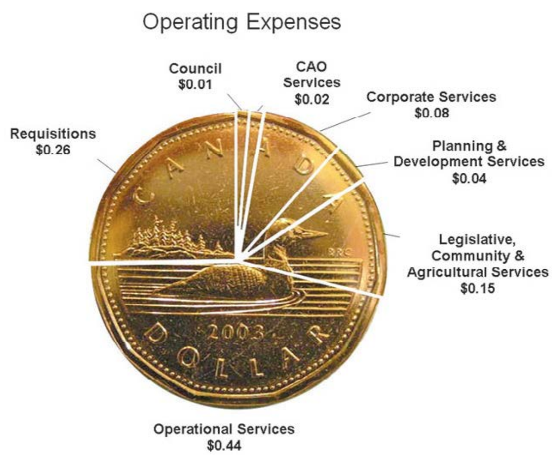


As indicated by the above charts residential tax increases have generally followed inflation. In 2010, 2011 and 2014 the increases were below inflation and in 2012 and 2013 the residential tax increases are above the rate of inflation

Expenditures

Overall expenses are budgeted to increase by $1.9 million in 2014. Although there are many small increases and decreases in expenses the following indicates the significant changes in expenses expected in 2014:

- increase of $215,000 in road maintenance support expense
- increase of $105,000 related to drainage management
- increase of $130,000 related to vegetation control
- increase of $434,000 to support fire equipment purchases,
- increase of $270,000 related to a 3% cost of living adjustment
- increase of $435,000 for salaries and wages of employees as they move through the steps of the salary and wage grids and other wage adjustments,
- decrease of $473,000 for the removal of 5 vacant positions and other position restructuring
- increase of $293,000 related to requisition increases.



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 43% of the County's operational budget and 96% of the 2014 capital expenditures are related to roads.

The total capital program for 2013 is $18.4 million. The 2014 capital expenditures include $7.7 million for Phase II of the Acme road re-construction, $2.7 million for the re-gravelling program (includes funds left over from 2013), and $3.5 million for the annual re-chipping program.
In light of the potential changes in Provincial funding for bridges – the Province has not yet cancelled the program but has again zero funded it in the 2014 Provincial budget – another $320,000 has been added as an annual contribution to bridge reserve bringing the annual contribution to just under $950,000.

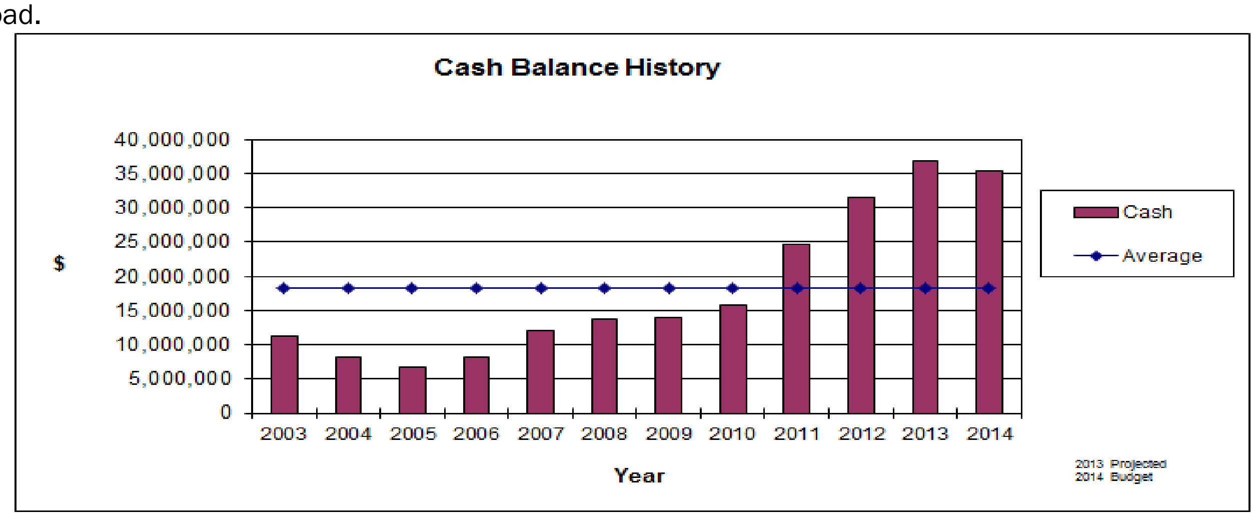
Capital Funding

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 across Canada. 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 $270,000 operating deficit. It's only through grants from other levels of government that we are able to generate additional funds that help 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. These plans can be important for a number of grant programs like the Building Canada Grant. These programs are often easier to access when a municipality has construction ready projects. Council plans to update these plans in 2014.

Cash

Cash balances are expected to decrease by $1.4 million in 2014. This will bring the balance to $35.4 million. The decrease in cash is driven primarily by the use of grant funds that have already been received for capital expenditures in 2014. Funds have been accumulated to fund projects like the Acme road.



Requisitions

In 2013 the Provincial government Education Tax Requisition decreased by 1% or $57,500. The County's proportionate share of the requisition is based on the County's most recent equalized assessment amount. This changed in 2013 years when the requisition was based on a four year average. The new method of calculating the County's share of the requisition could make the amount more volatile, especially in years where residential property values are fluctuating. The requisition amount is $11.2 million for 2014.

In 2014 the Senior's Housing requisition will more than double to 645,200 and the Regional Waste Management requisition will be $172,000 which is at levels similar to 2014.

Grants

Starting in 2005 with the Alberta Municipal Infrastructure Program (AMIP) the Provincial and Federal governments increased their grant funding to municipalities. These grants have helped the County increase capital expenditures on road infrastructure. Although the increases since 2005 haven't been as large as initially indicated, the grants still play a significant role in funding capital replacements.

At the Provincial level the County receives funding under the Municipal Sustainability Initiative (MSI). In 2014 the County is eligible for just under $4.9 million from MSI. MSI funding is being used to fund the upgrading of the Acme Road in 2014.

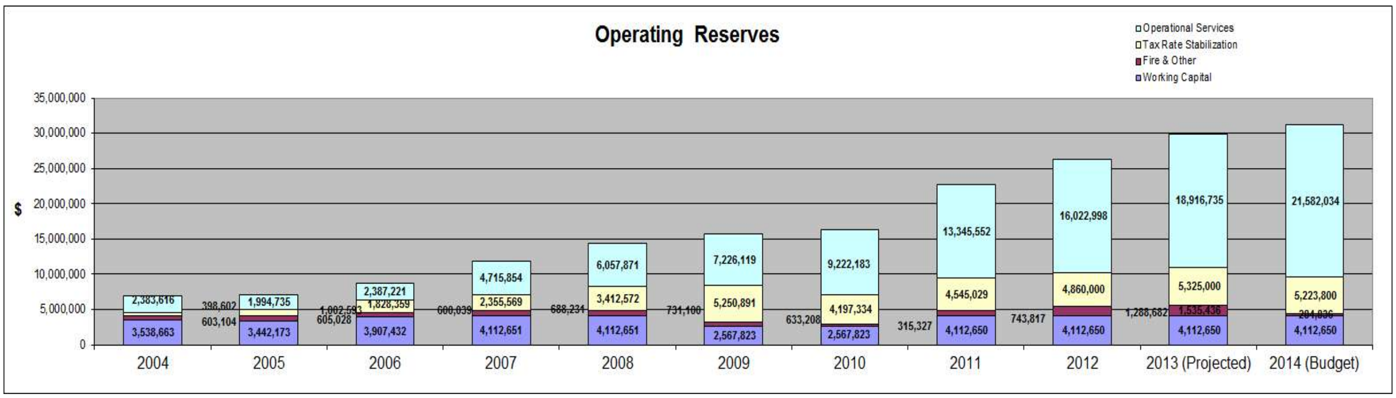
At the Federal level the Federal Gas Tax program is expected to continue with the County eligible for $700,000 in funding in 2014. Details of this program have been delayed compared with other years.

Overall, in 2014, the County is planning on using $9.7 million in grants to fund a significant portion of the 2014 capital program.

Reserves

The County has a number of reserves. The purpose of each reserve is laid out in the Reserve Policy (Appendix 6). Through both the operating and capital reserves the County is able to respond to immediate needs such as unique maintenance needs in a given year and plan for the sustainable renewal of County infrastructure.

In 2014 the County's operating reserves are expected to increase by 4% or $1.3 million. This is primarily due to contributions to the projects reserve. Less local road projects are planned in 2014 which results in less funds being drawn from the reserve.



Capital reserves are expected to increase by $1.3 million. Overall transfers from reserves are supporting just over $3 million of the 2014 capital program.

Personnel Costs

In 2014 a wage and salary review was completed. This resulted in more wage and salary adjustments than typical. The total salary adjustments were $705,000 and this included a 3% cost of living adjustment. As an offset to these increases 5 vacant positions were eliminated reducing costs by $473,000.

Strategic Directions Plan

In April of 2014 Council established Strategic Goal Areas. The strategic goals fall under 6 main categories: Agriculture, Infrastructure, Environment, Community/Quality of Life, Economy/Financial Health and Governance.

Strategic Goal Areas

Agricultural
Goal #1: Provide an environment in which traditional and new forms of agriculture along with innovative, value-added agricultural industry can thrive.

Infrastructure
Goal #1: Provide an effective road network that meets the needs of MVC's people and business.

Goal #2: Provide infrastructure that serves the public's service needs responsibly and effectively.

Goal #3: Maintain MVC's infrastructure efficiently, effectively and in an environmentally responsible way.

Environment
Goal #1: Exert maximum influence to protect and preserve the Region's unique and precious natural environment.

Community / Quality of Life
Goal #1: Maintain safe communities.

Goal #2: Support local communities in providing cultural and recreational opportunities that contribute to people's quality of life.

Goal #3: Support initiatives that create the opportunity for people to remain in their communities as they age.

Goal #4: Encourage a vibrant, rural culture in MVC

Economy / Financial Health
Goal #1: Diversify to increase MVC's taxable asset base and mitigate revenue risk.

Goal #2: Ensure adequate revenue to meet service needs.

Goal #3: Programs and Services are delivered efficiently, economically, equitably and remain relevant.

Governance

Goal #1: MVC will have a culture of open, responsive and effective governance.

Goal #2: Promote respectful, positive and productive relationships with other municipalities and orders of government.

Goal #3: Communicate openly and effectively with the public.

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