Executive Summary 2015 Budget

Highlights

The overall economic outlook for Mountain View County in 2015 continues to be moderate but slowing growth into 2016. The majority of the assessment growth continued to be new oil and gas wells. Tax revenue is expected to be 4% above the budgeted tax revenue received in 2014. Of the $1.8 million in additional tax revenue $1.2 million is available to the County. The average residential rate payer is expected to see the amount of taxes they pay increase by 1%. The average non-residential rate payer is expected to see a 2.5% increase.

Overall expenses are increasing by $2.2 million. This increase is driven primarily by planned payments of $1,857,200 related to obtain access to water from Mountain View Regional Water Commission and the Town of Sundre. This is a non-recurring expense. Salary increases ($135,000) and road maintenance expense increases ($710,000 related to gravel road maintenance and $115,000 related to snow removal) are offset by expected decreases in road inspection costs and less cost related to non-recurring gravel pit activity.

Capital expenditures are expected to be just over $16 million. Almost all the capital program focuses on the County's road infrastructure. $2.5 million is expected to be spent on bridges, $2.7 on the re-gravelling program and $4.2 million on hard surfaced roads with the majority of the activity being the re-chipping program.

Cash balances are expected to drop by just under $1.6 million. The larger than normal bridge program is one of the reasons for the drop in cash balances. Without Provincial funding for bridges this program is funded from internal resources rather than through bridge grants.

Overall to fund the 2015 programs reserve balances are expected to decrease by $5 million dollars. This drop in reserves is part of the normal cycle. Some years reserves are built up and some years they are drawn down. The reserves will continue to help sustain the County's infrastructure in future years.

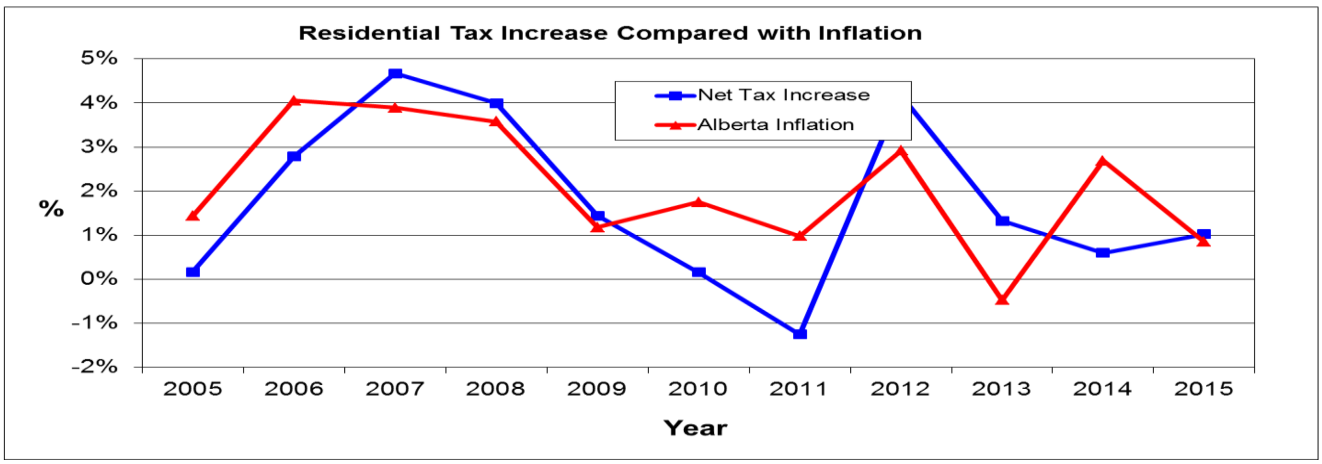
As a package, the 2015 Budget sustains the County's strong financial position.

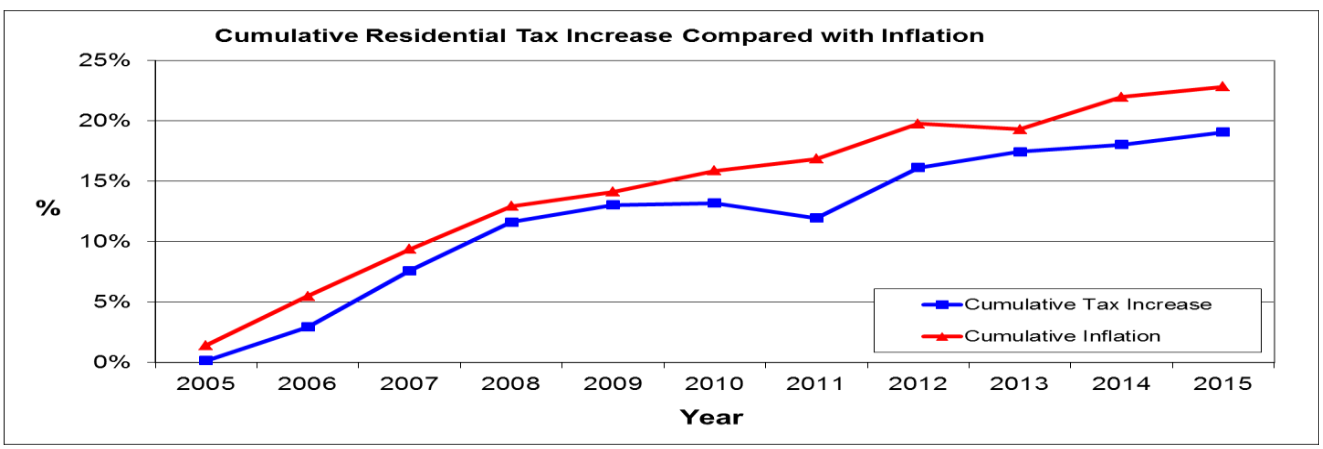
Taxes

Overall - The budget is based on a 1% tax increase for residential tax payers and a 2.5% increase for non-residential tax payers. This means that if a residential tax payer had their assessed value increase by the average market increase of 1.43% they would pay 1% more in taxes in 2015 compared to 2014. 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 1.43% they would have more than a 1% increase.

Municipal Component of Taxes – In 2013, 2014 and 2015 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 - 2015 there is an increase in the amount the average rate payer will pay to support municipal services.

Overall municipal tax revenue is expected to increase by $1.2 million (4%) compared to the 2014 budget increase of $1.7 million (6%). 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, 2013 and 2015 the residential tax increases are above the rate of inflation

Expenditures

Overall expenses are budgeted to increase by $2.2 million in 2015. Although there are many small increases and decreases in expenses the following indicates the significant changes in expenses expected in 2015:

- Increase of $1,857,200 related to one-time costs to access to water from the Mountain View Regional Water Commission and the Town of Sundre
- Increase of $710,000 in gravel road maintenance expense
- Increase of $115,000 related to snow removal
- Decrease of $618,500 related to industry road inspections
- Decrease of $860,000 related to non-recurring gravel pit activities
- Increase of $135,000 for salaries and wages of employees as they move through the steps of the salary and wage grids, cost of living adjustment and other wage adjustments
- Increase of $618,000 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 41% of the County's operational budget and 96% of the 2015 capital expenditures are related to roads.

The total capital program for 2015 is $16.1 million. The 2015 capital expenditures include $2.7 million for the re-gravelling program (includes funds left over from 2013), $4.2 million for hard surface roads and $2.5 million for bridges.

Bridge funding continues to be a problem. The Province has not yet cancelled the program but has again zero funded it in the 2015 Provincial budget.

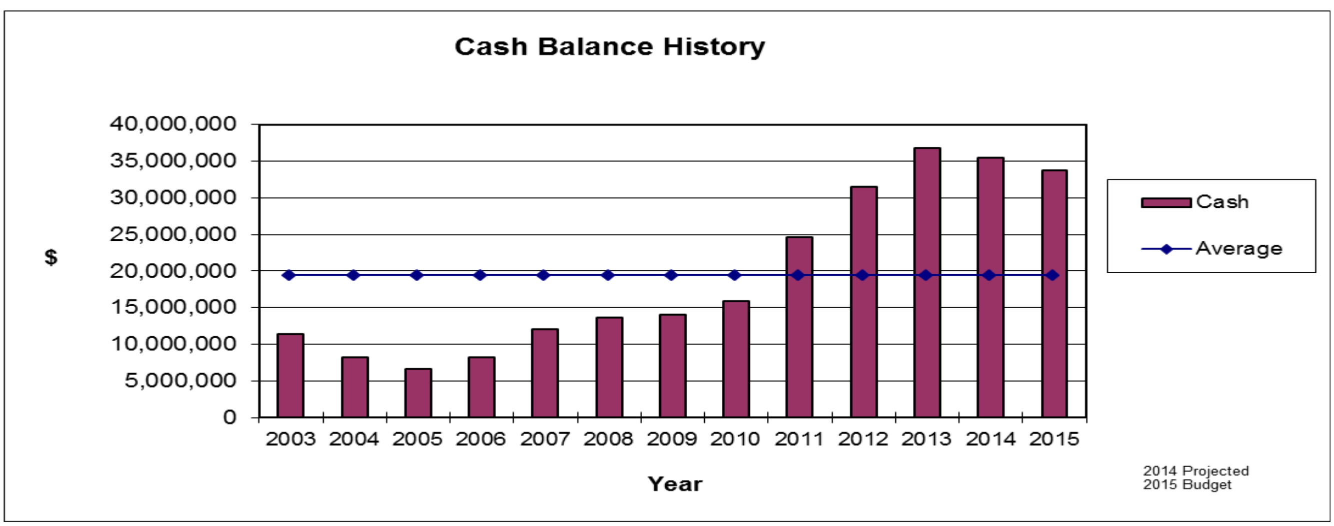
Capital Funding

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 $2.3 million operating deficit ($437,800 without the one-time charges for water access). 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 2015.

Cash

Cash balances are expected to decrease by $1.6 million in 2015. This will bring the balance to $33.8 million. The decrease in cash is driven primarily by the use of reserve funds to complete the bridge program and fund higher than normal equipment purchases. Funds have been accumulated in reserves for these purposes so the decrease in cash isn't a cause for concern.



Requisitions

In 2015 the Provincial government Education Tax Requisition decreased by 3% or $336,100. 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 $11.6 million for 2015.

In 2015 the Senior's Housing requisition will drop slightly to $635,000 and the Regional Waste Management requisition will increase by $293,000 to $465,000.

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 2015 the County received extra MSI funding of $1.9 million but then in the Provincial budget the annual amount was dropped from $4.2 million to to $2.3 million. MSI funding is being used to complete the Acme road and to complete some base work. Not all MSI funds are planned to be spent in 2015. These funds will be used in future years.

At the Federal level the Federal Gas Tax program is eligible for $650,000 in funding in 2015.

Overall, in 2015, the County is planning on using $1.4 million in grants to fund a portion of the 2015 capital program.

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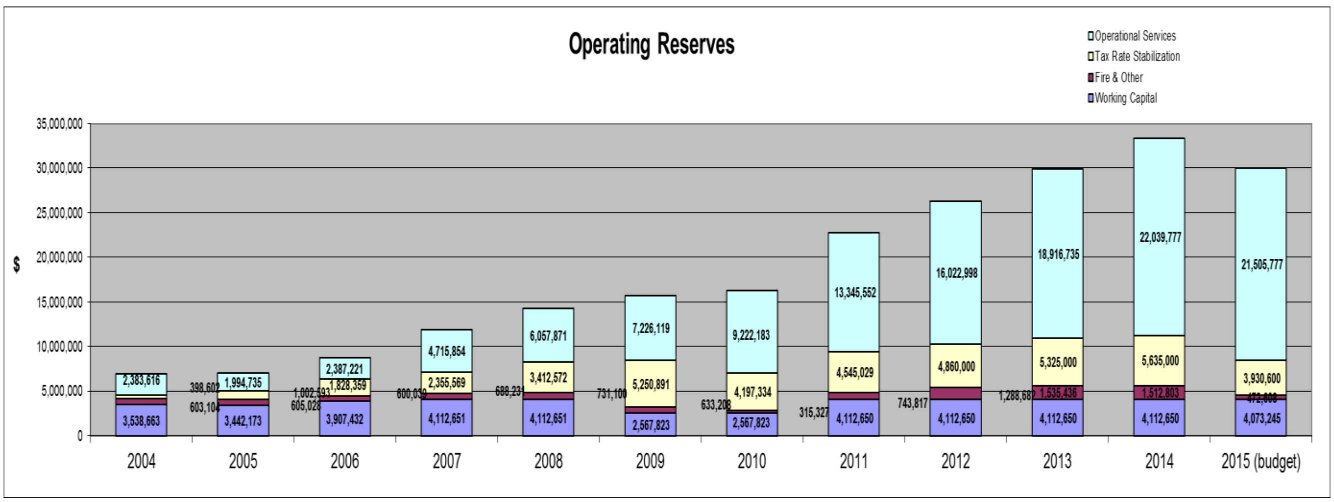
Reserves

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 2015 the County's operating reserves are expected to decrease by 10% or $3.3 million. This is primarily due to the need for funding for the one-time costs of getting access to water.



Capital reserves are expected to decrease by $1.7 million to support the capital program. Overall transfers from reserves are supporting just under $10 million of the 2015 capital program.

Personnel Costs

In 2015 two new grader operator positions are planned to be added. The cost of these new positions is reflected in the Gravel Road Maintenance budget. Other than these new positions there is a $135,000 increase in 2015 personnel costs. The cost of living and other salary increases were partially offset by long serving staff leaving the organization and the positions being filled by more junior staff.

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.