Highlights

The overall economic outlook for Mountain View County in 2013 continues to be for moderate to low growth. After a couple of years of sluggish additions of new properties to the County's assessment base 2013 will see a moderate level of growth. The majority of the assessment growth is new oil and gas wells. Tax revenue is expected to be 6% above tax revenue received in 2012. Of the $2.3 in additional tax revenue $2 million is available to the County. This is in contrast to last year when additional tax revenue was needed for Education Taxes collected on behalf of the Provincial government. The average rate payer, in all assessment categories, can expect to see the amount of taxes they pay go up by 1.5%.

Overall expenses are increasing by $2,024,000. This increase is driven primarily by an increase in the amount of fire equipment planned to be purchased in 2013 ($843,000) requisition increases ($254,500) and road maintenance expense ($545,000). The increased fire equipment costs are supported by the Fire Reserve and the increase in the Education requisition is supported by an increase in Education taxes. The increased road maintenance costs are supported by additional tax revenue.

Capital expenditures are expected to be just over $20 million. Almost all the capital program focuses on the County's road infrastructure with the single largest project being the re-construction of the Acme Road at a cost of $7.5 million. This project is planned in 2 phases with phase II in 2014 at a cost of $5.8 million.

Cash balances are expected to drop by just under $3 million to fund the large capital program planned for 2013.

Even in a year with a large capital program Council continues to add funds to capital reserves which are expected to grow by $1.8 million in 2013. These reserves will help sustain the County's infrastructure in future years.

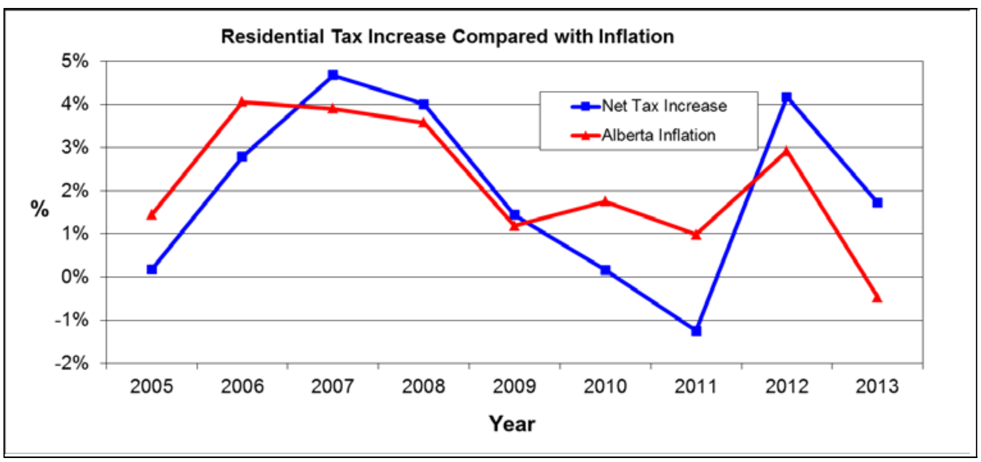
As a package, the 2013 Budget sustains the County's strong financial position.

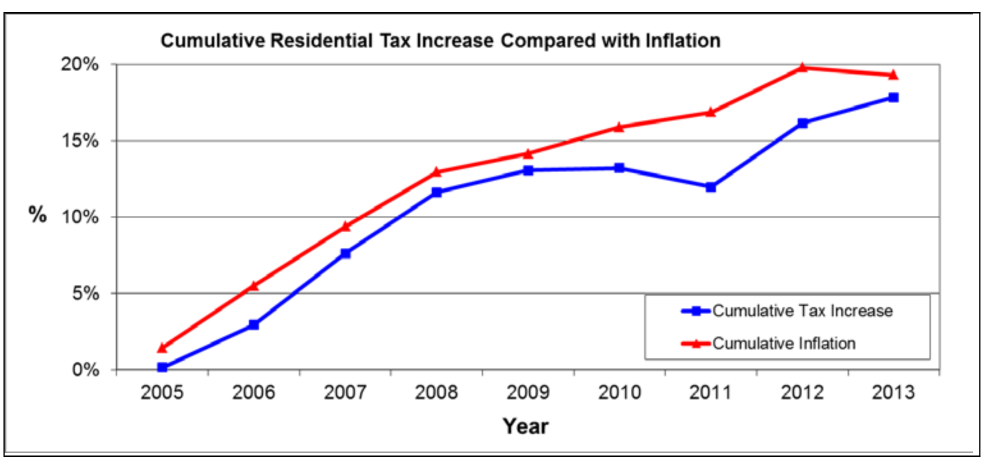
Taxes

Overall - The budget is based on a 1.5% tax increase across all assessment categories. This means that if a residential tax payer had their assessed value drop by the average market reduction of 4.74% they would pay 1.5% more in taxes in 2013 compared to 2012. If their house's value dropped by more than the average for the County they would have less than a 1.5% increase. If the value dropped by less than the 4.74% they would have more than a 1.5% increase.

Municipal Component of Taxes – 2013 is the first time in the last four years that the municipal component of the property taxes has increased. 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 each of the last three years. In 2013 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 7.2% for residential and 1.2% 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 2.7% for non-residential. However, when combining all components of the tax rates the overall tax increase remains at 1.5%.

Overall municipal tax revenue is expected to increase by $2.1 million (8%) compared to the 2012 budget increase of $300,000 (1%). Of this increase 60% is driven by new properties which have been added to the County's assessment base and 40% is driven by tax rate increases.



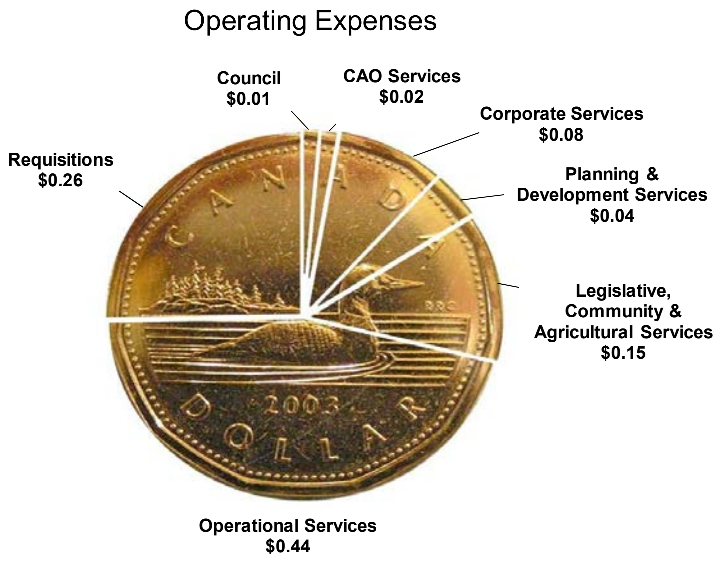


As indicated by the above charts residential tax increases have generally followed inflation. In 2010 and 2011 the increases were below inflation and in 2012 and 2013 the residential tax increases are above the rate of inflation. The 2012 increase was driven by the increase in Education taxes and in 2013 it's driven by the need for additional municipal tax revenue.

Expenditures

Overall expenses are budgeted to increase by $2 million in 2013. Although there are many small increases and decreases in expenses the following indicates the significant changes in expenses expected in 2013:

- increase of $200,000 in road blading expense
- increase of $110,000 in snow removal expense
- increase of $105,000 related to drainage management
- increase of $130,000 related to vegetation control
- increase of $843,000 to support fire equipment purchases,
- increase of $95,000 related to a 1% cost of living adjustment
- increase of $120,000 for salaries and wages of employees as they move through the steps of the salary and wage grids,
- increase of $254,500 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 44% of the County's operational budget and 97% of the 2013 capital expenditures are related to roads.

The total capital program for 2013 is $20.1 million. The 2013 capital expenditures include $7.5 million for the Acme road re-construction and a $1.3 million project to pave range road 43. Local road projects total $2.6 million. Bridge projects total $1.7 million but recent funding changes by the Provincial Government may put these projects in jeopardy. The recurring re-gravelling and re-chipping programs round out the road capital program at $1.8 and $3.4 million dollars respectively.
In light of the potential changes in Provincial funding for bridges – the Province has not yet cancelled the program but has zero funded it in the 2013 Provincial budget – $585,000 has been added as an annual contribution to bridge reserve.

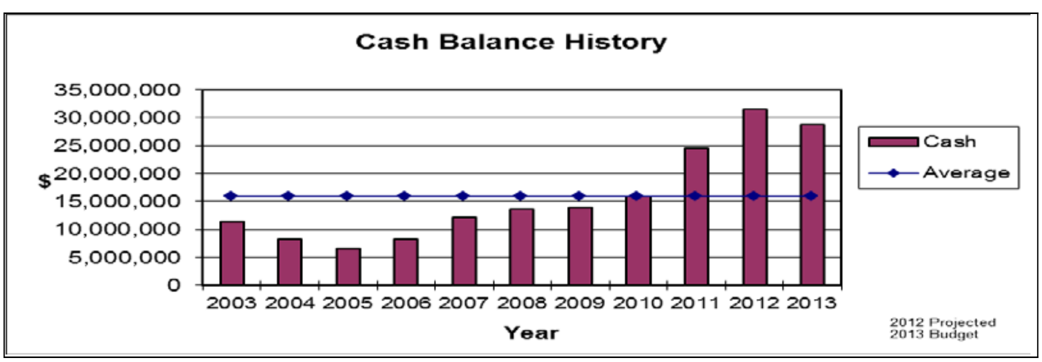
Capital Funding

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 $2.5 million 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.

Cash

Cash balances are expected to decrease by $2.7 million in 2013. This will bring the balance to $28.8 million. The decrease in cash is driven primarily by higher than average capital expenditures in 2013. Funds have been accumulated over the last few years to fund projects like the Acme road.



Requisitions

In 2013 the Provincial government Education Tax Requisition increased by 2% or $156,000. This is well below last year's level of 8.2%. The County's proportionate share of the requisition is based on the County's most recent equalized assessment amount. This is a change from previous years when the requisition was based on a four year average. The requisition amount is $11.3 million for 2013.

In 2013 the Senior's Housing requisition will be $329,000 and the Regional Waste Management requisition will be $164,000. Both are at levels similar to 2012.

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 2013 the County is eligible for just under $4.4 million from MSI. MSI funding is being used to fund the upgrading of the Acme Road in 2013.

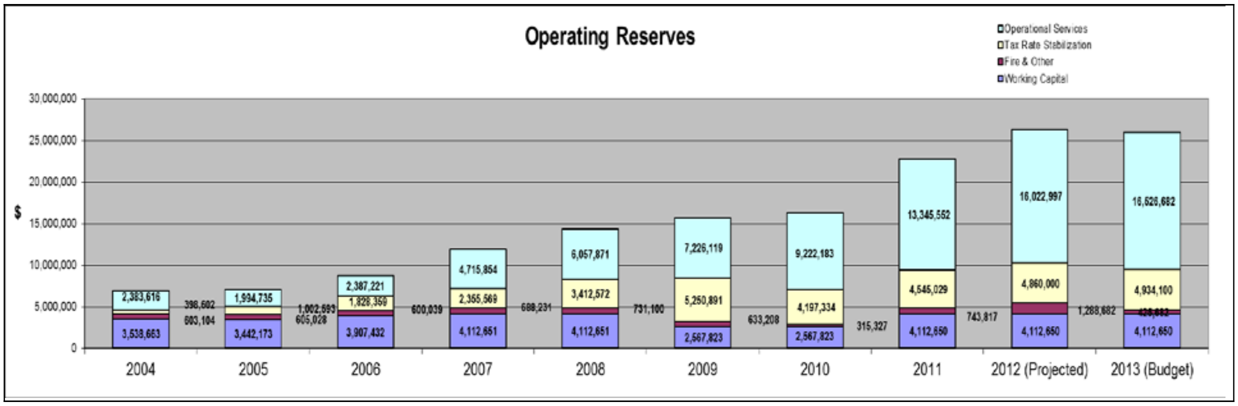
At the Federal level the Federal Gas Tax program is expected to continue with the County eligible for $700,000 in funding in 2013. As part of the 2013 Federal budget there was a renewed commitment to this grant program which includes 2% indexing in future years.

Overall, in 2013, the County is planning on using $11.5 million in grants to fund a significant portion of the 2013 capital program.

Reserves

The County has a number of reserves. The purpose of each reserve is laid out in the Reserve Policy (Appenidx 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 2013 the County's operating reserves are expected to decrease by 1% or $290,000. This is primarily due to a larger than normal expenditure on fire equipment which is funded by the Fire Reserve.



Capital reserves are expected to increase by $1.6 million. Overall transfers from reserves are supporting just over $1.9 million of the 2013 capital program.

Personnel Costs

There are two new positions planned in 2013 and three positions that have been eliminated.

Wage and salary pressures have moderated in Alberta and inflation has remained relatively low. A 1% cost of living adjustment to the County's wage and salary grids is reflected in the 2013 budget. This increase follows the rate of inflation in Alberta. The impact of the cost of living adjustment is $95,000.

Strategic Directions Plan

In April of 2012 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.