



2013 – 2015 Budget Overview

For Council Review

November 26 & 27, 2012



Budget Process Overview

On June 26, 2012 Council approved the 2013 budget parameters and guidelines and directed administration to prepare a draft budget with a municipal tax increase of 1.5%. From that point forward administration has worked on preparing a budget that meets this direction as well as deliver programs and services that allow Parkland County to be the rural community of choice creating one of the most competitive business environments in Alberta in addition to enhancing the quality of life for its residents.

As stated in Council's Strategic Plan, Parkland County is committed to maintaining a balance among residents, industry, agriculture, and the environment in Parkland County. To achieve this balance, Council has identified six priority goal areas, all of equal importance, upon which it will focus its attention, decision-making, and actions: Economic Development, Quality of Life, Environment, Agriculture, Infrastructure, and Governance. Administration has developed this budget by allocating resources to these priority areas while keeping in mind the balance Council wants to maintain.

Each department has critically evaluated their budgets, found savings and requested increases only if absolutely necessary to maintain existing programs and services and/or meet Council's strategic initiatives. There has been a great deal of analysis completed by Financial Services and Senior Management. As a result, Management is very proud of the budget that is being put forward for Council's review because it meets Council's direction, allows departments the resources required to meet Council's strategic initiatives, and maintains existing programs and services.

Budget Parameters and Guidelines:

All budgets are to be prepared using the County's Strategic Plan as a guide.

Increases to property taxation will be the "last resort" relative to balancing expenses with revenues.

All new tax revenue obtained from new growth in assessment shall be used to maintain current levels of service in all areas of the budget.

The tax rate will continue to be adjusted to provide a reasonable split of taxation between residential and non-residential taxation.

All requisition costs will be recovered directly from applicable tax revenues. The County's operating budget will not be used to subsidize or cushion other requisition increases. Requisition increases will stand alone on their own merits.

All user fees are to be reviewed and adjusted as needed as part of the budget process.

The budget should reflect estimates for both revenue and expenditures through an objective, analytical process utilizing trends, best judgments and statistical analysis where appropriate. Estimates are to be conservative particularly on the revenue side.

Budgets are to be prepared on the basis of maintaining existing service levels. Levels of service are to be reviewed in all areas and the budgets set are to be based on outputs/results produced for the dollars provided.

Capital budgets are to be prepared using a priority setting process to determine what projects are of a High, Medium, or Low priority.

All capital items must conform to the County's new Capitalization Policy.

Continue to develop funding for the County's future capital needs through appropriate restricted surplus transfers.

Parkland County will maintain appropriate restricted surplus balances as determined by Council through its restricted surplus policy and appropriate planning.

The budget will allocate an appropriate level of funds to restricted surplus in order to maintain services throughout economic cycles.

The rate of inflation to be applied to general expenditures is to be based on the individual product price indexes or municipal price indexes that are available for applicable products and services.

Bring forward a budget that does not require more than a 1.5% municipal tax increase.

Economic Outlook

For Parkland County the current and future economic environment and the resulting growth potential look positive.

“The Alberta economy put out very strong numbers so far in 2012 and is poised to lead all other provinces in terms of growth once again this year. In 2011, Alberta earned the top spot with an estimated real GDP growth of 5.2%, which was also the fastest rate in the province in five years. While we forecast the pace to slow down modestly in 2012 to 3.8%, we still project it to be well above the national average. And the good times are not likely to end here. We expect strong momentum to carry into 2013, when we forecast real GDP to grow by 3.6%.”¹

Alberta forecast at a glance

% change unless otherwise indicated

	2010	2011	2012F	2013F
Real GDP	3.3	5.2	3.8	3.6
Employment	-0.4	3.8	3.0	2.5
Unemployment rate (%)	6.5	5.5	4.6	4.5
Retail sales	6.0	6.9	8.8	6.4
Housing starts (units)	27,088	25,704	32,800	32,000
Consumer price index	1.0	2.4	1.1	1.4

“Today’s skilled newcomers are increasingly choosing to put down roots in Alberta, Saskatchewan and Manitoba. Inter-provincial migration trends tell a similar story with net inflows into Alberta and Saskatchewan.”² BMO Capital Markets states “home prices will continue to rise in Alberta where reasonable valuations and a strong economy are providing support and commodity prices will continue to drive investment in Alberta”.

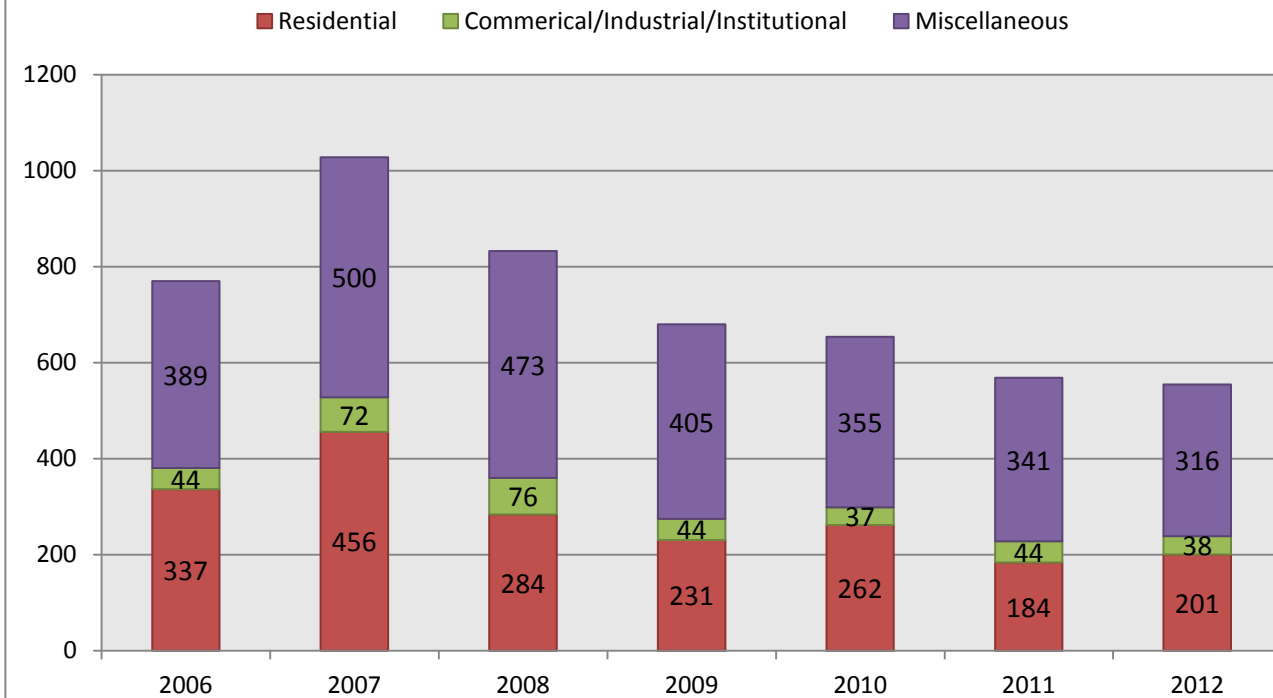
It is important to note that although a strong economy and continued growth leads to more assessment this also places a strain on the municipality’s infrastructure and services.

As you can see in the graphs on page 5 the number of building permits overall continue to fall. Residential and non-residential permits continue to fluctuate from year to year. On a very positive note the construction value of permits in 2012 (to October 31) has increased substantially over 2011.

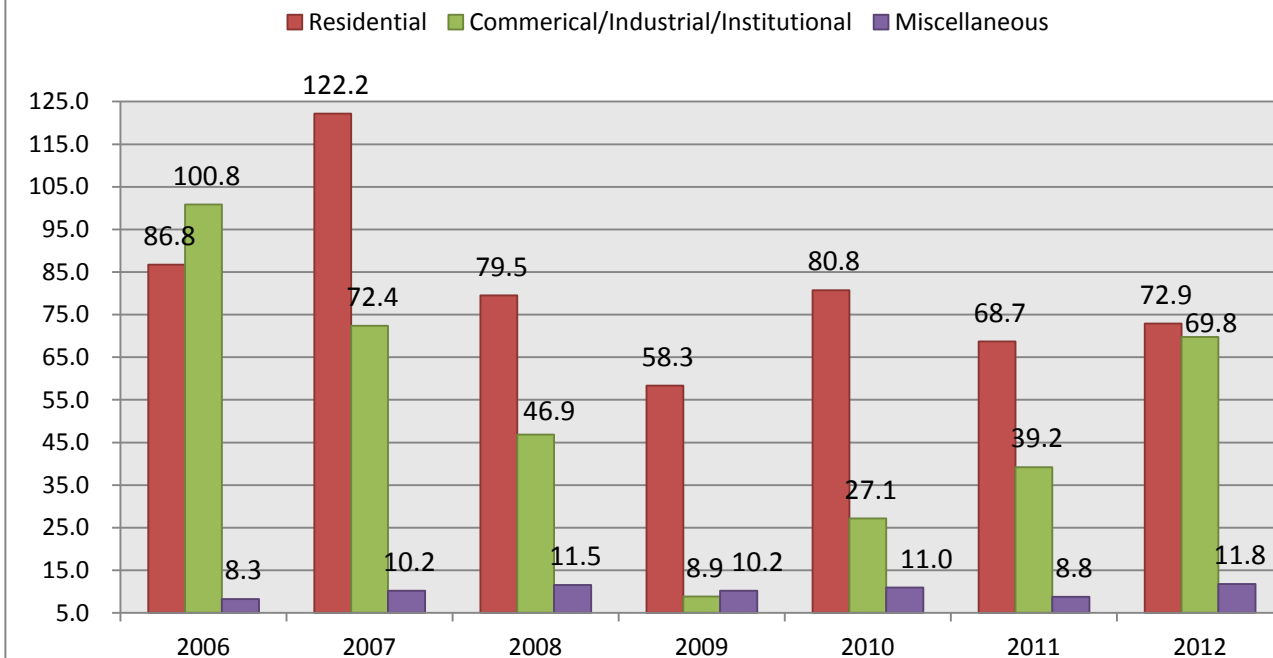
¹ <http://www.rbc.com/economics/market/pdf/alta.pdf>

² http://research.cibcwm.com/economic_public/download/eioct12.pdf

Number of Building Permits Issued



Construction Value of Building Permits (in millions)



* Residential consists of new housing starts and trailer and modular home move ons

* Miscellaneous consist of renovations, alterations, additions, accessory buildings and garages

* 2012 information is to October 31, 2012

TransAlta

On August 20, 2012 TransAlta was ordered to rebuild Sundance units 1 and 2. TransAlta states it expects to have these units restored to full service by fall 2013 and estimates the cost at \$190M. This will result in new assessment growth in the 2014 taxation year for Parkland County; however, this amount is reduced by regulated factors and modifiers.

Additional good news is on the horizon with the October 26, 2012 announcement by TransAlta Corporation that they are teaming up with MidAmerican Energy Holdings Company (Warren Buffett's power generation and pipeline company) to develop and build natural gas-fueled power projects in Canada. "The agreement encompasses all new natural gas-fueled generation opportunities considered by either TransAlta or MidAmerican in Canada, including TransAlta's proposed Sundance 7 project"³ (known locally as Parkland 1) located in Parkland County, which under current plans, would be completed by 2016 or 2017. The new plant will have significant impact on the County's tax revenue for 2017/2018.

Older coal fired power plants will also continue to be decommissioned as they reach the end of their useful life and hence offset some of the increase in new assessment.

³ <http://www.edmontonjournal.com/business/TransAlta+MidAmerican+Create+Partnership+Develop+Build+Natural+Fueled+Power+Projects+Canada/7451656/story.html>

Municipal Budget Summary

The following chart illustrates the revenues and expenditures by division as well as the required municipal tax levy:

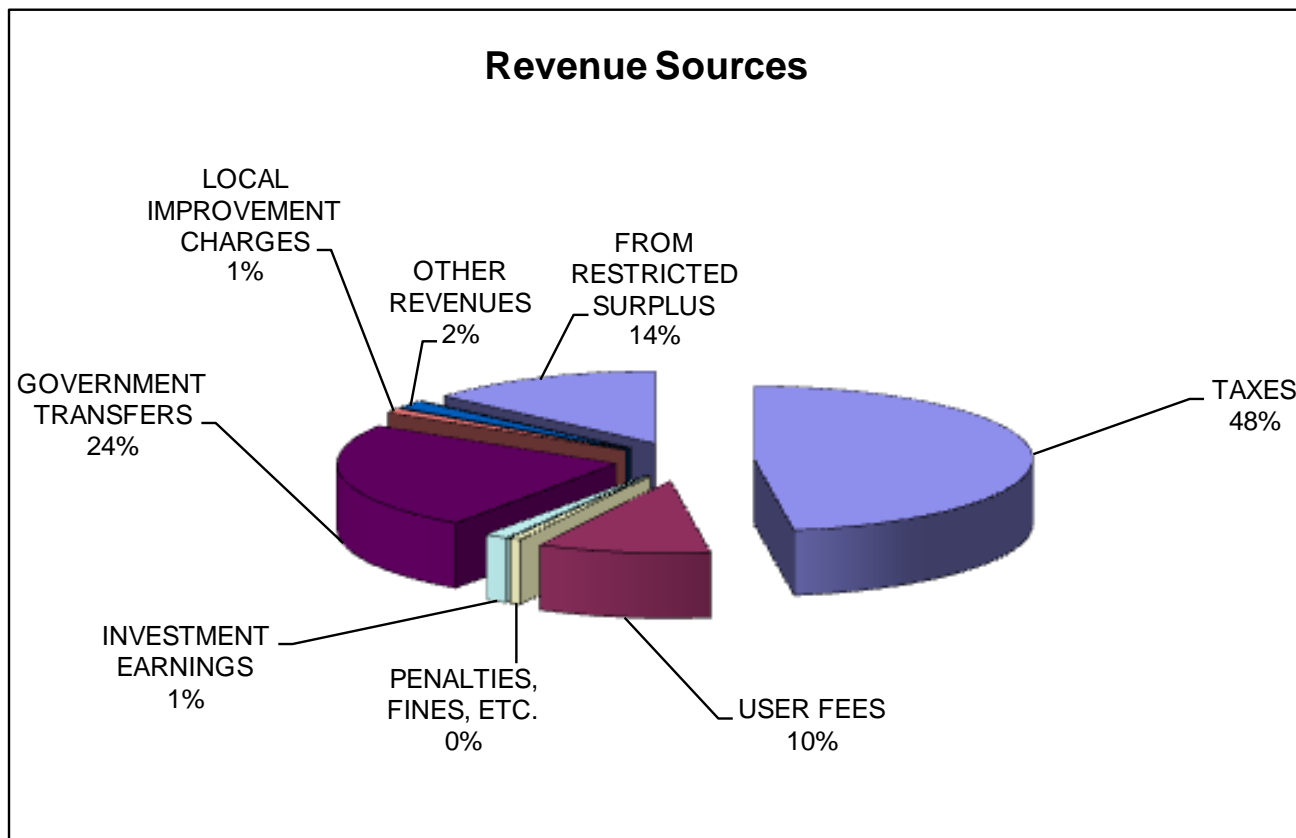
PARKLAND COUNTY				
DEPARTMENT	2012 BUDGET	2013 BUDGET	\$ CHANGE	% CHANGE
REVENUES				
LEGISLATIVE	0	125,100	125,100	0.00%
GENERAL SERVICES	0	100,000	100,000	0.00%
CORPORATE SERVICES	402,681	979,300	576,619	143.19%
DEVELOPMENT SERVICES	3,411,174	4,118,800	707,626	20.74%
COMMUNITY SERVICES	12,062,595	5,451,000	(6,611,595)	-54.81%
INFRASTRUCTURE SERVICES	19,477,884	27,579,700	8,101,816	41.59%
OTHER	5,133,197	4,532,700	(600,497)	-11.70%
TOTAL REVENUE	40,487,531	42,886,600	2,399,069	5.93%
EXPENDITURES				
LEGISLATIVE	908,969	1,091,700	182,731	20.10%
GENERAL SERVICES	1,090,482	1,362,400	271,918	24.94%
CORPORATE SERVICES	7,321,601	8,196,500	874,899	11.95%
DEVELOPMENT SERVICES	5,179,948	6,049,900	869,952	16.79%
COMMUNITY SERVICES	21,839,365	16,121,000	(5,718,365)	-26.18%
INFRASTRUCTURE SERVICES	47,389,967	57,379,700	9,989,733	21.08%
OTHER	6,604,065	4,914,000	(1,690,065)	-25.59%
TOTAL EXPENDITURES	90,334,397	95,115,200	4,780,803	5.29%
SUBTRACT AMORTIZATION & OTHER LEVIES	(12,706,022)	(13,844,748)	(1,138,726)	8.96%
MUNICIPAL TAX LEVY	37,140,844	38,383,852	1,243,008	3.35%
Less Minimum Tax	25,000	40,000	15,000	60.00%
NET MUNICIPAL TAX LEVY	37,115,844	38,343,852	1,228,008	3.31%

Total revenues for 2013 are \$43M which is an increase of \$2.4M from 2012. This does not include taxation.

Expenditures (operating and capital) are up \$4.8M to \$95M. The \$95M includes amortization of \$12.6M that is not a funded expense, the TransAlta Tri Leisure Centre levy of \$635,800 and the Capital Region Board levy of \$100,000.

The budget contains a municipal tax requirement of just over \$38M which is \$1.2M more than the municipal tax levy required in 2012.

Where the Money Comes From



Total revenues including taxation are \$82M.

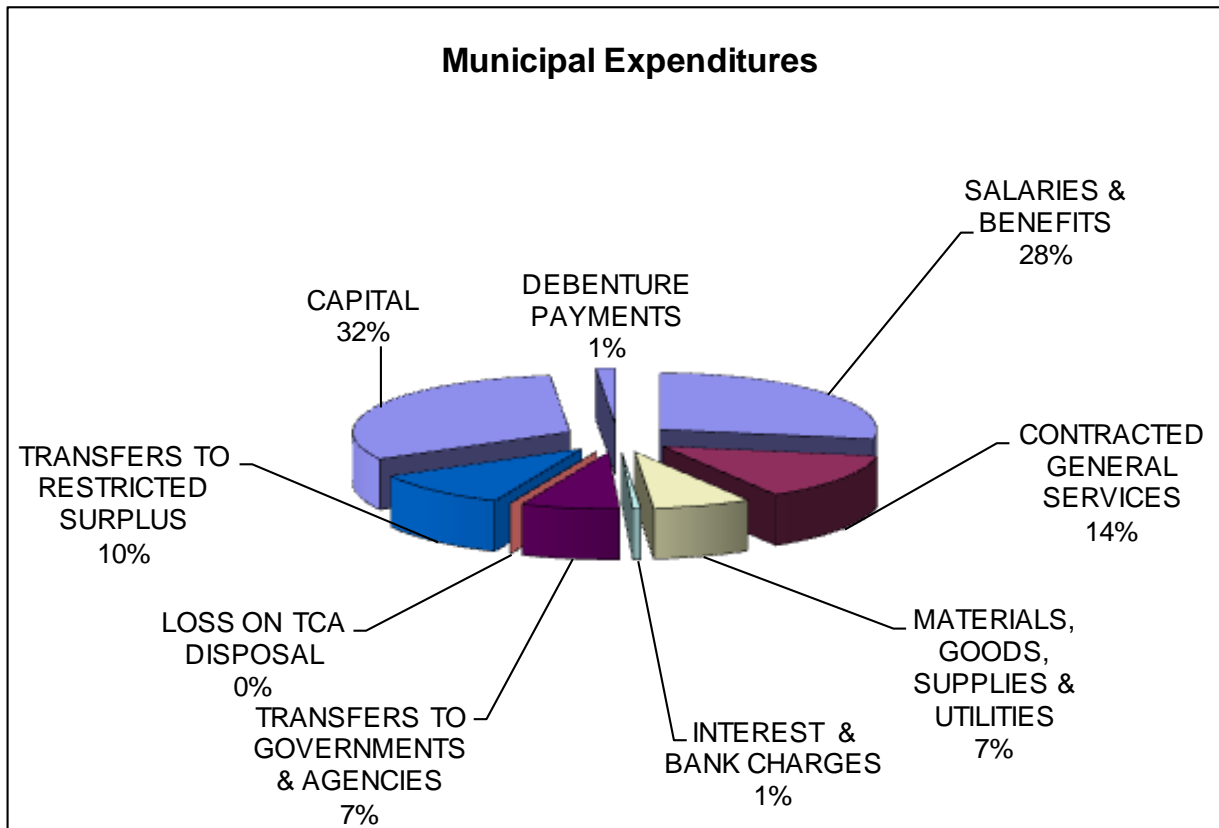
Taxes collected from residential and non-residential properties makes up 48% of the total revenue. Each property owner pays a share of the total tax required based on the value of his or her home.

User fees of 10% help pay for some services. Water and waste water systems are funded through utility fees on a cost recovery basis.

Of the \$19.7M in government transfer revenue \$17M is used for capital items. This budget estimates that Parkland County will receive \$524,650 of MSI Operating and \$6.9M of MSI Capital which is the same amount of transfers received in 2012.

\$11.1M from restricted surplus is being used to fund this budget of which \$6.5M is for capital items.

How the Money is Spent



Salaries and benefits include a cost of living adjustment of 2.5% for both union and non-union positions. The new contract for the Community Peace Officers settled at 2.5%. Market salary adjustments putting the County at 100% of the average have also been incorporated in this budget. Parkland County was paying at 2.3% below the market average. As per Salary Administration Directive A-HR04 organization-wide market salary reviews will be conducted where deemed necessary to maintain internal equity and salaries within a range of 100 - 110% of the market average salary.

Contracted and General Services is up slightly from the prior year largely due to Information Technology Services, Geographic Information System, Environmental Services, and Intelligent Community initiatives as well as the Municipal Development Plan that is included in the Planning and Development Services budget.

Materials, Goods, Supplies & Utilities is up \$535,000 largely due to non-capital equipment for the Acheson Firehall, the increase in hard surface patching materials in the Road Maintenance budget, office furniture for the County Centre expansion, and gas and oil in the fleet budget.

Transfers to Restricted Surplus are down \$1.1M but still includes a transfer of \$1.5M to the Long Term Sustainability Restricted Surplus.

Assessment:

The following chart illustrates the changes in assessment projected by Assessment Services for the 2013 tax year:

	2012	2013	\$ Change	% Change
Assessment Category:				
Residential	5,035,416,560	5,078,534,974	43,118,414	0.86%
Farm	43,845,910	43,402,016	-443,894	-1.01%
Commercial/Industrial	1,088,940,770	1,130,892,356	41,951,586	3.85%
Machinery/Equipment	231,936,150	231,760,090	-176,060	-0.08%
Linear	1,716,284,110	1,716,140,210	-143,900	-0.01%
	8,116,423,500	8,200,729,646	84,306,146	1.04%

Projected growth in assessment is \$84.3M; an increase of 1.04%.

Impact to the taxpayer (Split Tax Rate remains at 54%):

The proposed budget results in the typical **residential** property paying \$35.89 in additional municipal taxes per year or \$2.99/month for those on the monthly payment plan.

A typical **non-residential** property would pay \$562.62 in additional municipal taxes per year or \$46.89/month for those on the monthly payment plan.

Residential:

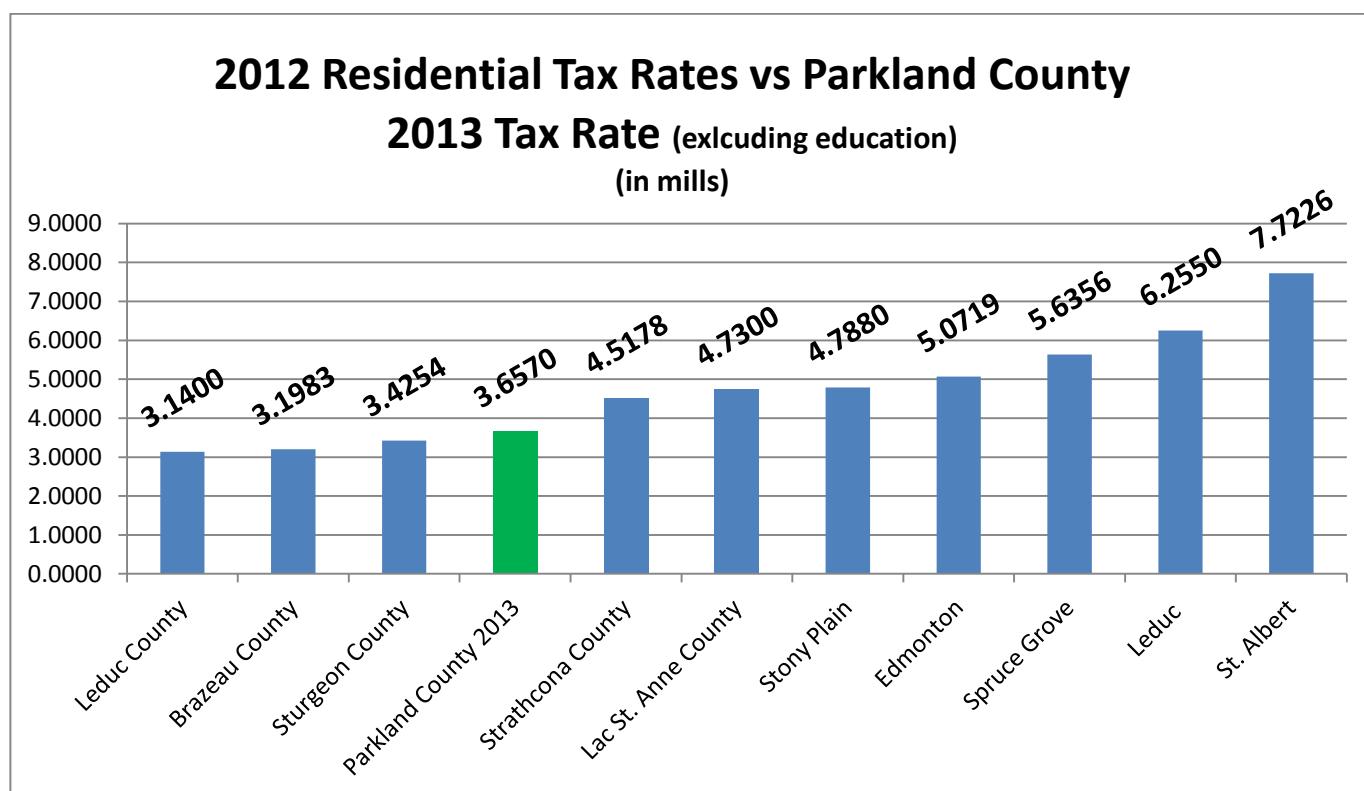
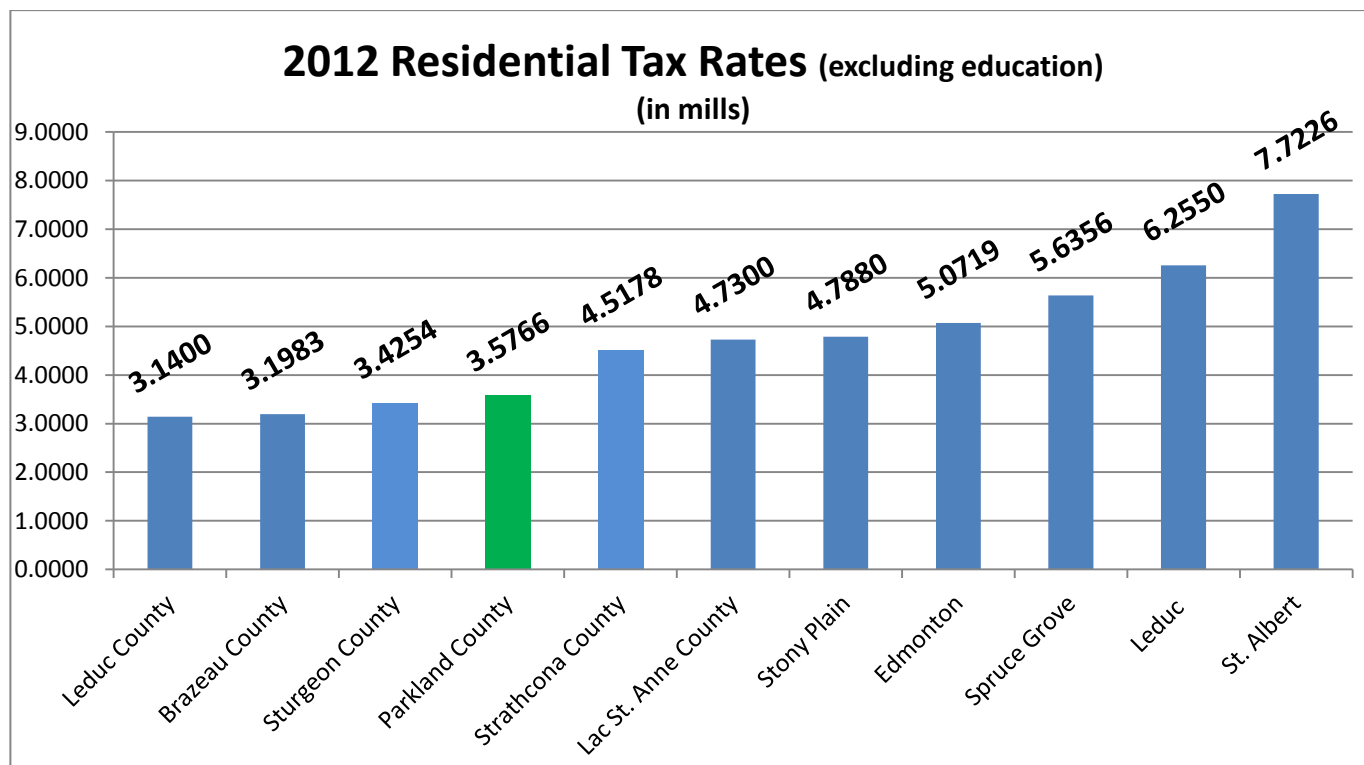
Median Assessment Value	\$ 446,613	\$ 446,613		
PROPERTY TAX - Estimate	2012	2013	\$Change	%Change
Municipal	\$ 1,548.68	\$ 1,582.22	\$ 33.54	2.17%
Tri Leisure	\$ 23.67	\$ 26.26	\$ 2.59	10.94%
Senior's Foundation	\$ 20.86	\$ 20.66	\$ (0.20)	-0.96%
Capital Region Board	\$ 4.15	\$ 4.11	\$ (0.04)	-1.08%
School	\$ 1,142.26	\$ 1,142.26	\$ -	0.00%
Total	\$ 2,739.61	\$ 2,775.50	\$ 35.89	1.31%

Non-Residential:

Median Assessment Value	\$ 3,774,720	\$ 3,774,720		
PROPERTY TAX - Estimate	2012	2013	\$Change	%Change
Municipal	\$ 24,239.36	\$ 24,764.05	\$ 524.69	2.16%
Tri Leisure	\$ 370.30	\$ 410.69	\$ 40.39	10.91%
Senior's Foundation	\$ 176.28	\$ 174.58	\$ (1.70)	-0.96%
Capital Region Board	\$ 65.30	\$ 64.55	\$ (0.75)	-1.16%
School	\$ 11,843.18	\$ 11,843.18	\$ -	0.00%
Total	\$ 36,694.43	\$ 37,257.05	\$ 562.62	1.53%

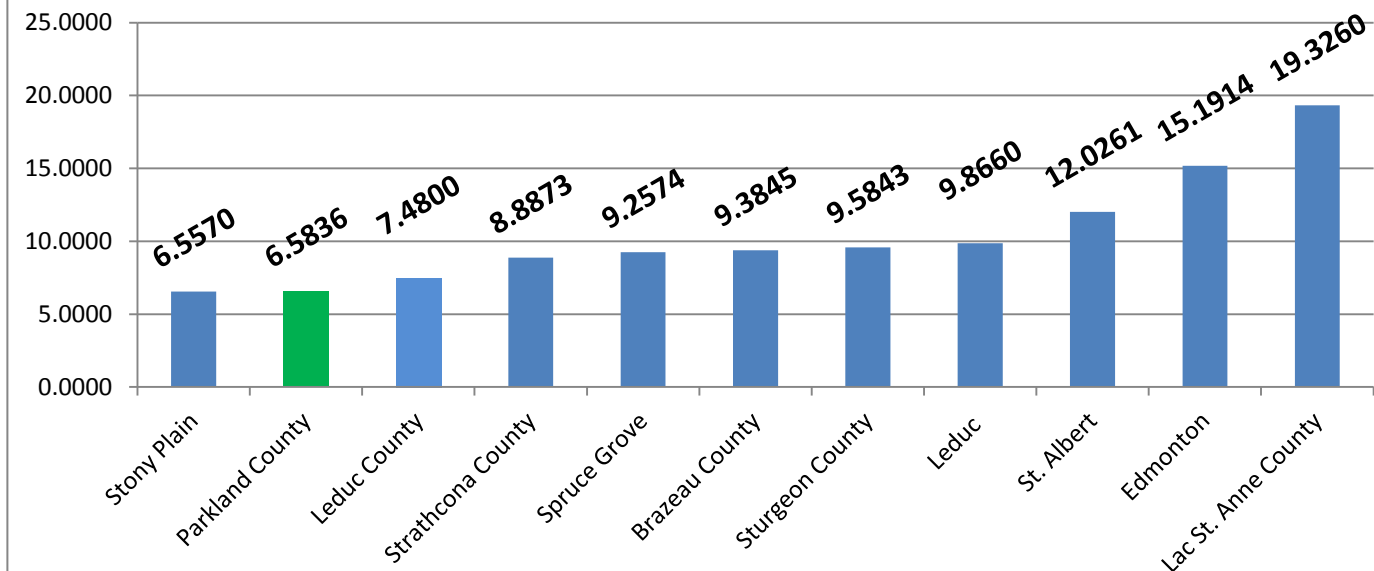
As Parkland County does not have the provincial school requisition at the current time the assumption has been made that the requisition will remain unchanged from the prior year.

Municipal Tax Rates of Our Comparators

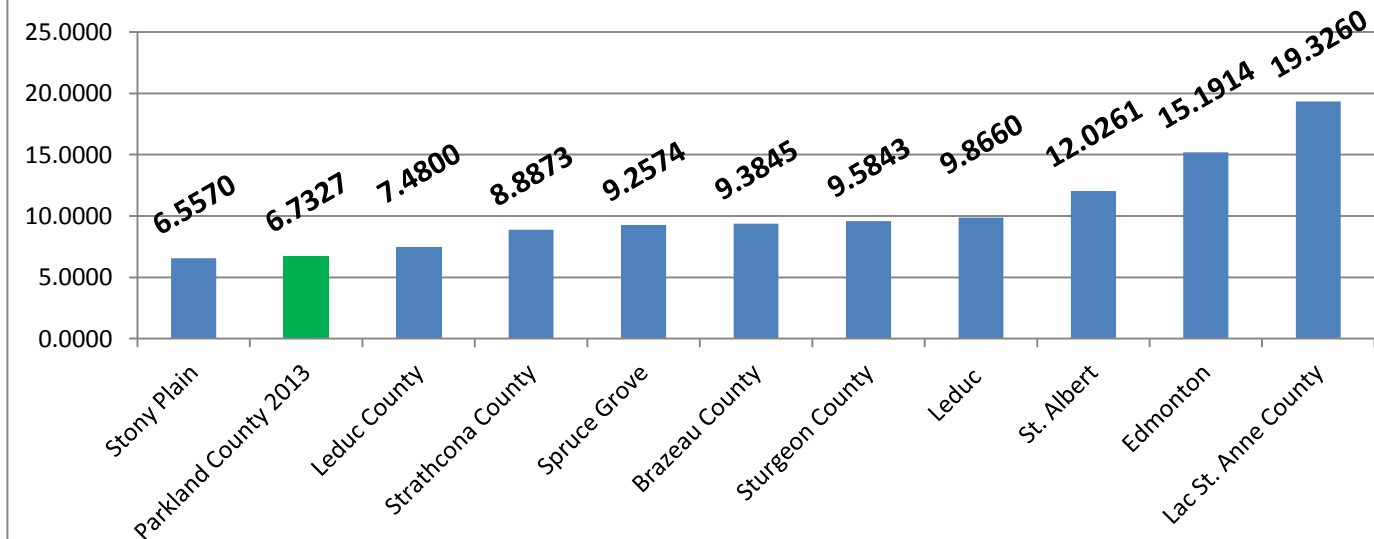


If one compares Parkland County's proposed 2013 residential rate to its comparator's 2012 tax rates, it remains the fourth lowest.

2012 Non-Residential Tax Rates (excluding education) (in mills)

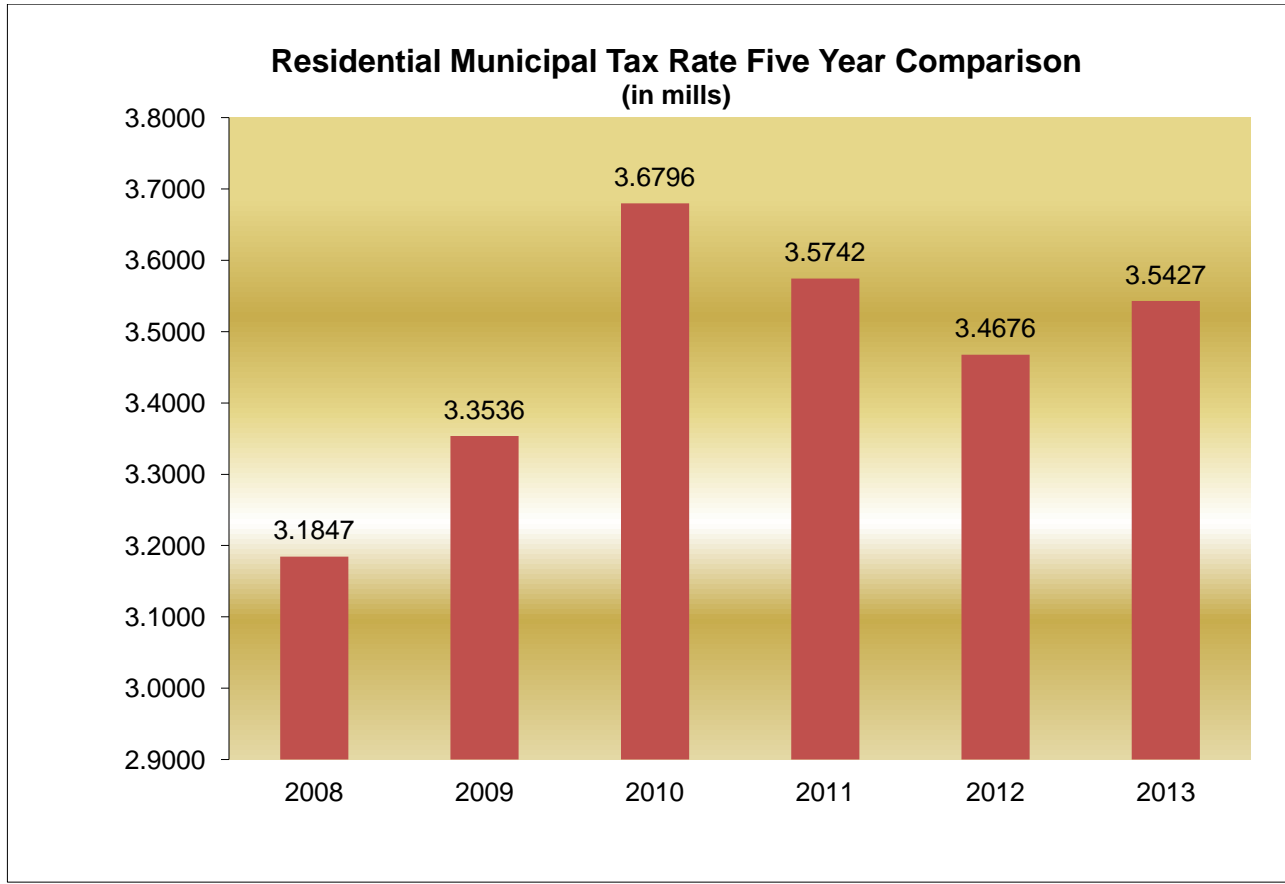


2012 Non-Residential Tax Rates vs Parkland County 2013 Tax Rate (excluding education) (in mills)



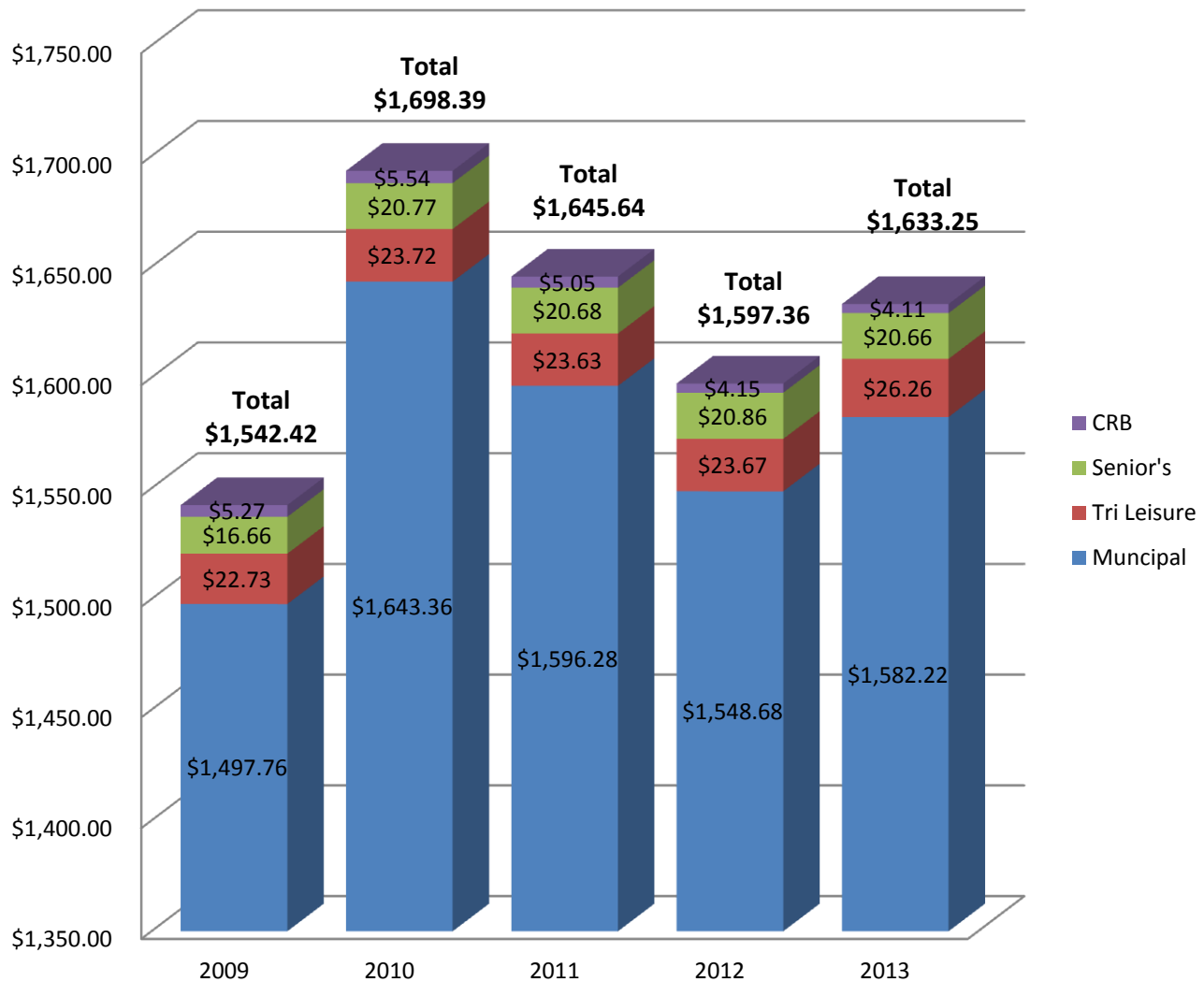
If one compares Parkland County's proposed 2013 non-residential rate to its comparator's 2012 tax rates, it remains the second lowest. The second lowest tax rate remains very attractive in the business environment.

Tax Rate Trend Analysis

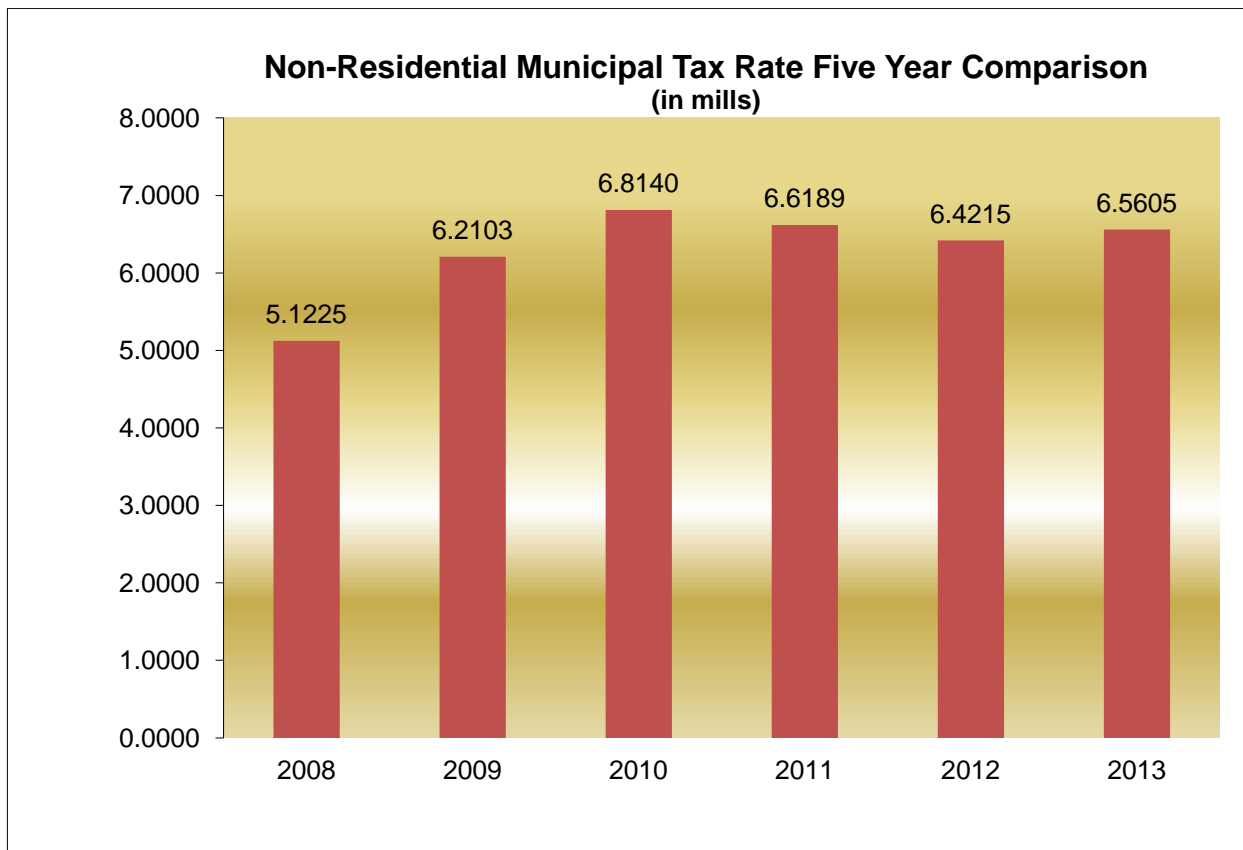


The five year average residential tax rate is 3.4519. The 2013 tax rate is slightly over the average.

Typical Residential Property Taxes (excluding education)

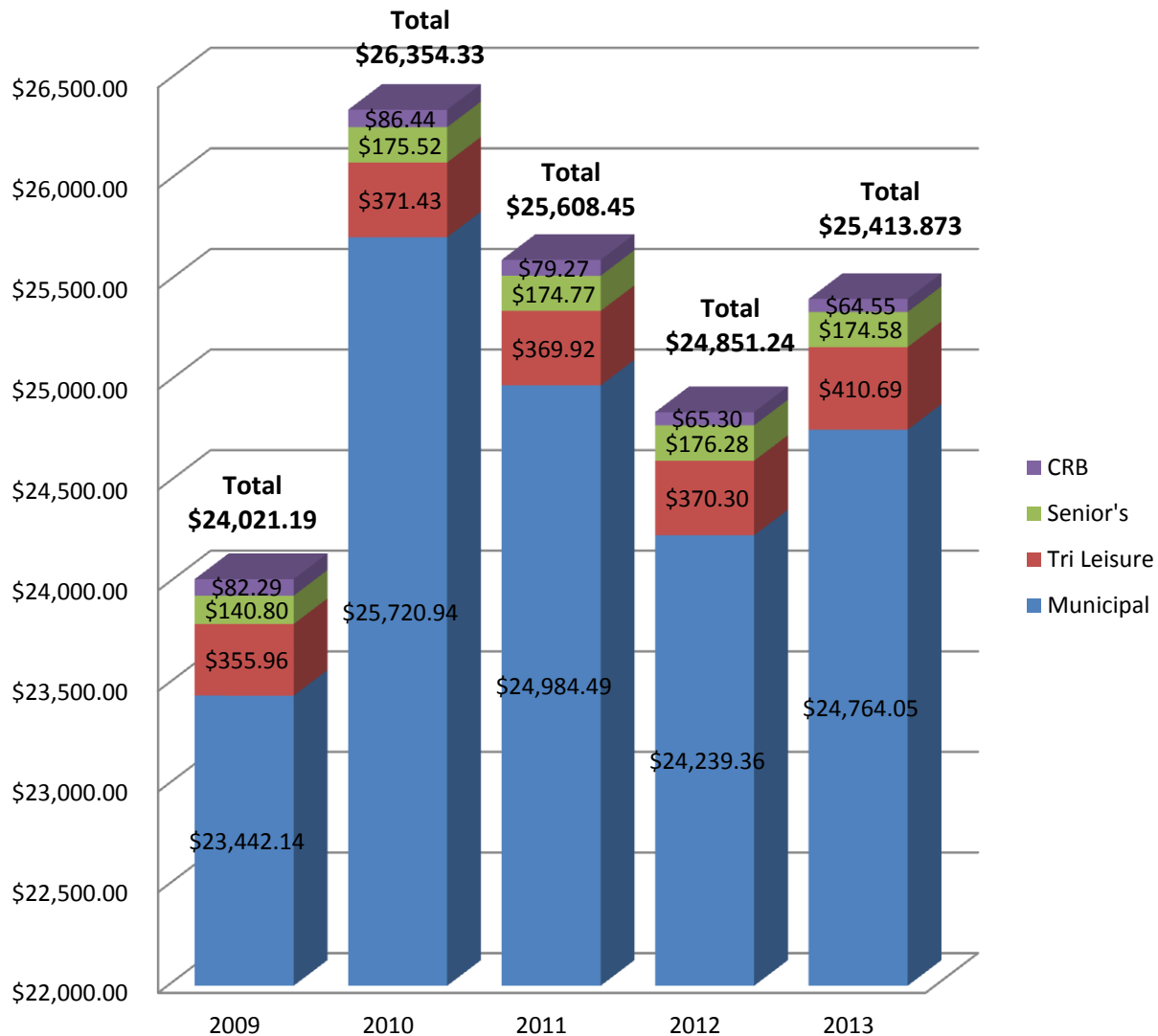


The five year average property taxes paid by the typical residential property are \$1,622.41. 2013 Property taxes, for the typical residential property, will be up by a slight amount of \$10.84 over the 5 year average.



The five year average residential tax rate is 6.2374. The 2013 tax rate is slightly higher than the average.

Typical Non-Residential Property Taxes (excluding education)



The five year average for property taxes paid by the typical non-residential property is \$25,249.82. 2013 Property taxes, for the typical non-residential property, has increased modestly in an amount of \$164.05 over the 5 year average.

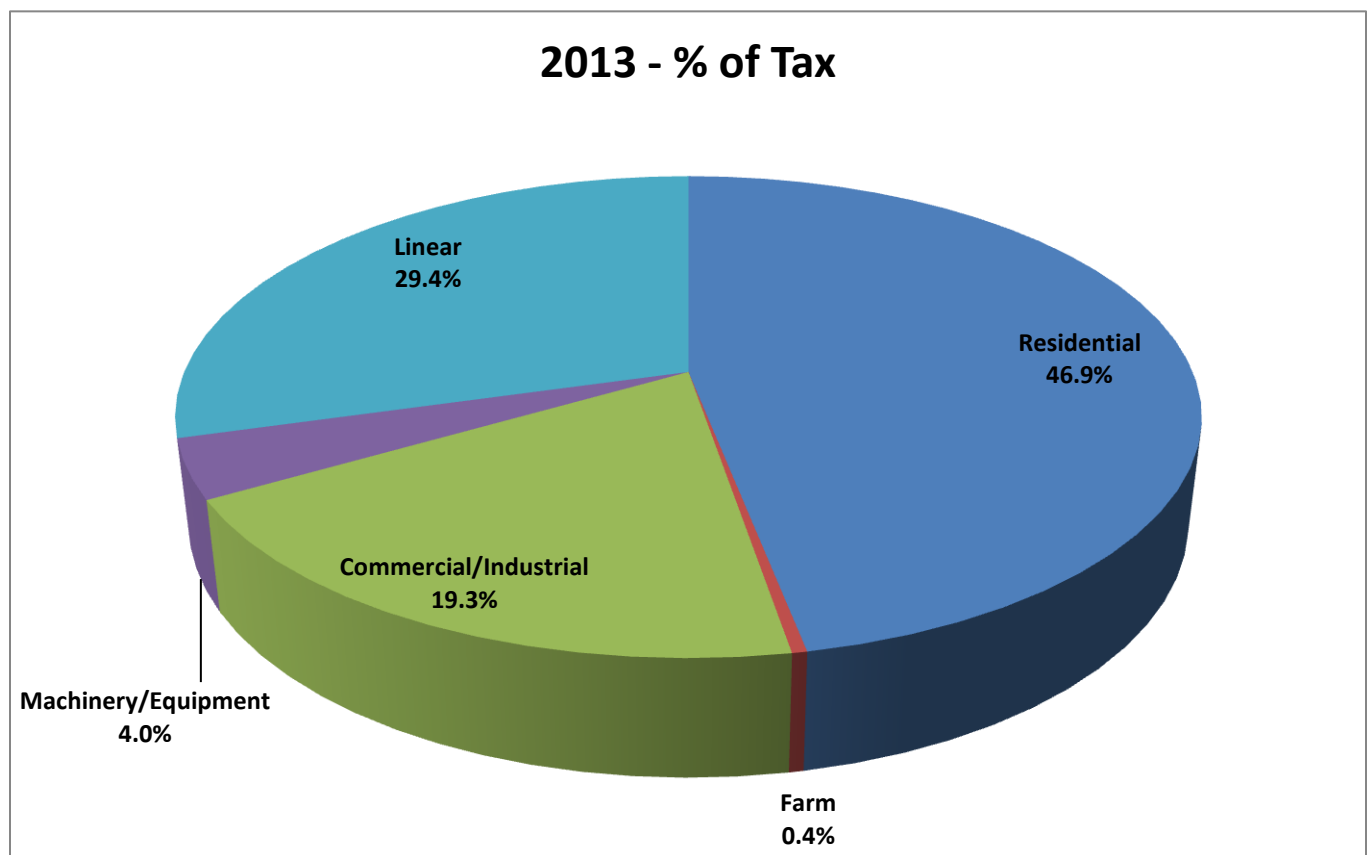
Split Tax Rate

The 2013 budget has kept the split tax rate at 54%; meaning the residential tax rate is 54% of the non-residential tax rate. As noted below, the split tax rate of 54/46 has remained constant over the past 5 years.

PARKLAND COUNTY SPLIT TAX RATES									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	75%	72%	70%	62%	54%	54%	54%	54%	54%
Non-Residential	25%	28%	30%	38%	46%	46%	46%	46%	46%

Where Does the Tax Come From?

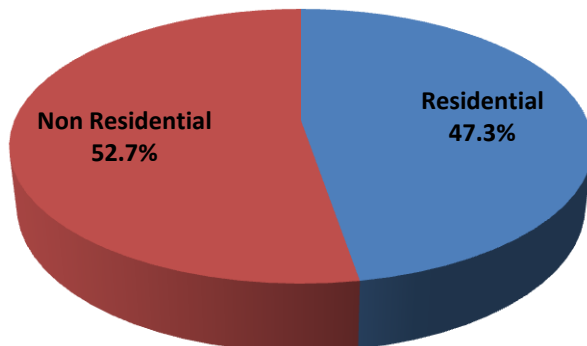
	Assessment	2013 Municipal Tax Rate	Taxes	2013 - % of Tax
Residential	5,078,534,974	0.0035427	17,991,673	46.9%
Farm	43,402,016	0.0035427	153,760	0.4%
Commercial/Industrial	1,130,892,356	0.0065605	7,419,219	19.3%
Machinery/Equipment	231,760,090	0.0065605	1,520,462	4.0%
Linear	1,716,140,210	0.0065605	11,258,738	29.4%
	<u>8,200,729,646</u>		<u>38,343,852</u>	<u>100.0%</u>



Based on the current 54% split tax rate:

	Assessment	Taxes	2013 - % of Tax
Residential	5,121,936,990	18,145,433	47.3%
Non Residential	3,078,792,656	20,198,419	52.7%
	<u>8,200,729,646</u>	<u>38,343,852</u>	<u>100.0%</u>

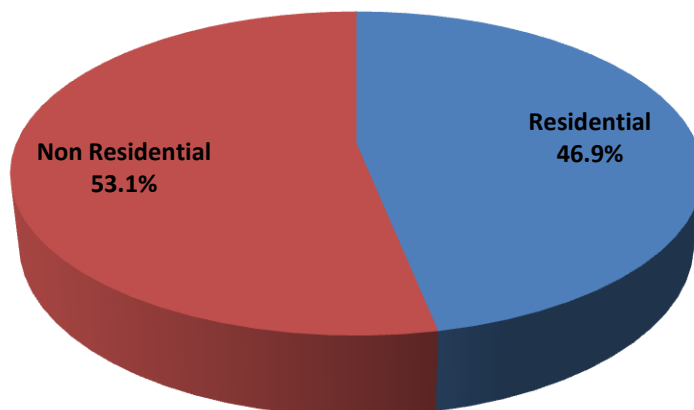
2013 - % of Tax



If Parkland County was to reduce the split tax rate 1% to 53%:

	Assessment	Taxes	2013 - % of Tax
Residential	5,121,936,990	17,966,678	46.9%
Non Residential	3,078,792,656	20,376,989	53.1%
	<u>8,200,729,646</u>	<u>38,343,667</u>	<u>100.0%</u>

2013 - % of Tax



The reduction of the split tax rate by 1% would have the following impact on the typical residential and non-residential properties:

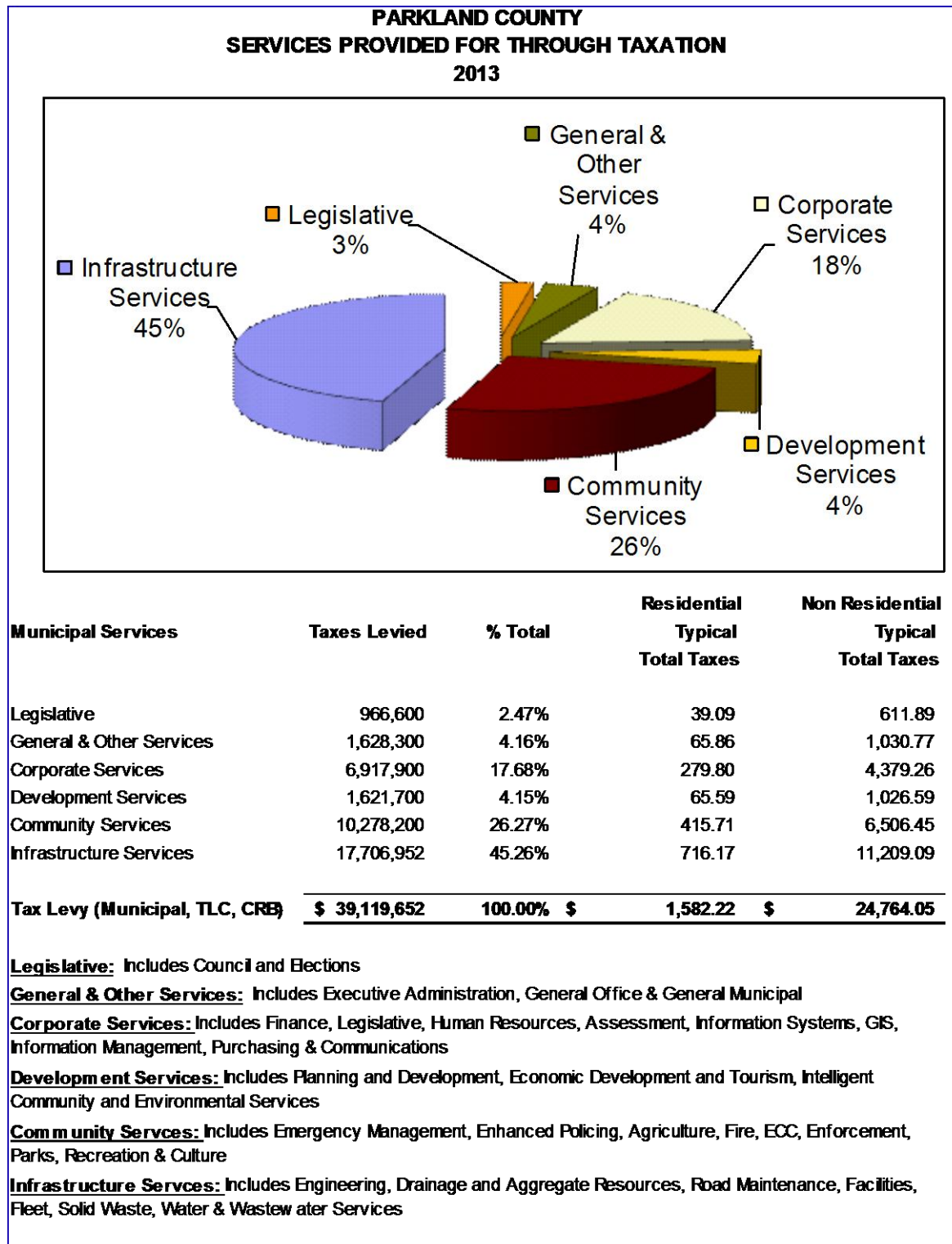
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Tri Leisure	\$ 23.67	\$ 26.26	\$ 2.59	10.94%
Senior's Foundation	\$ 20.86	\$ 20.66	\$ (0.20)	-0.96%
Capital Region Board	\$ 4.15	\$ 4.11	\$ (0.04)	-1.08%
School	\$ 1,142.26	\$ 1,142.26	\$ -	0.00%
Total	\$ 2,739.61	\$ 2,759.91	\$ 20.30	0.74%
Median Assessment Value	\$ 3,774,720	\$ 3,774,720		
PROPERTY TAX - Estimate	2012	2013	\$Change	%Change
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Tri Leisure	\$ 370.30	\$ 410.69	\$ 40.39	10.91%
Senior's Foundation	\$ 176.28	\$ 174.58	\$ (1.70)	-0.96%
Capital Region Board	\$ 65.30	\$ 64.55	\$ (0.75)	-1.16%
School	\$ 11,843.18	\$ 11,843.18	\$ -	0.00%
Total	\$ 36,694.43	\$ 37,475.99	\$ 781.56	2.13%

The typical residential property would see an increase of \$20.30/year versus the \$35.89/year shown earlier on page 9 with the 54% split tax rate.

The typical non-residential property would see an increase of \$781.56/year versus the \$562.62/year shown earlier with the 54% split tax rate.

Services Provided Through Taxation

The following chart illustrates where municipal tax dollars are distributed and how much a typical residential and non-residential property pays for these services.



Capital Budget

<u>Parkland County Capital Budget Summary</u>	
	2013
<u>Department/Function</u>	<u>Cost</u>
Information Technology Services	87,400
Intelligent Community	1,425,000
Community Services (Fire)	673,500
Community & Protective Services (Enforcement)	210,000
Parks, Recreation & Culture	558,900
Engineering Department	20,597,900
Public Works (Road Maintenance)	41,000
Facility Management	15,000
Fleet Management	2,095,700
Solid Waste	245,500
Water & Wastewater Services	95,000
Health & Safety	
Information Management	
Financial Services	
Economic Development	
Community & Protective Services (ECC)	
General Office	
Total Cost of Projects	26,044,900
<u>Capital Budget Sources of Funding:</u>	<u>Funding</u>
Taxation	1,981,900
Government Transfers	17,049,700
Other Sources	533,200
Restricted Surplus	6,480,100
Total Funding for Projects	26,044,900

Capital Purchases are up \$1.9M from 2012.

Engineering makes up 79% of the total capital budget.

Capital projects are funded 65% by government transfers.

There is no new debenture debt in 2013.

Details of the capital budget can be found under the capital budget tab in your binder and will be discussed in further detail during the departmental budget presentations.

What Next?

December 4, 2012 – Budget to Council for approval.

April 9, 2013 – Spring Budget Adjustments