



Parkland County Economic Outlook 2015-2018



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Executive Summary

Canada

The Canadian economy is expected to continue to grow at a steady pace with a focus on balancing the budget by the 2015-16 fiscal year.

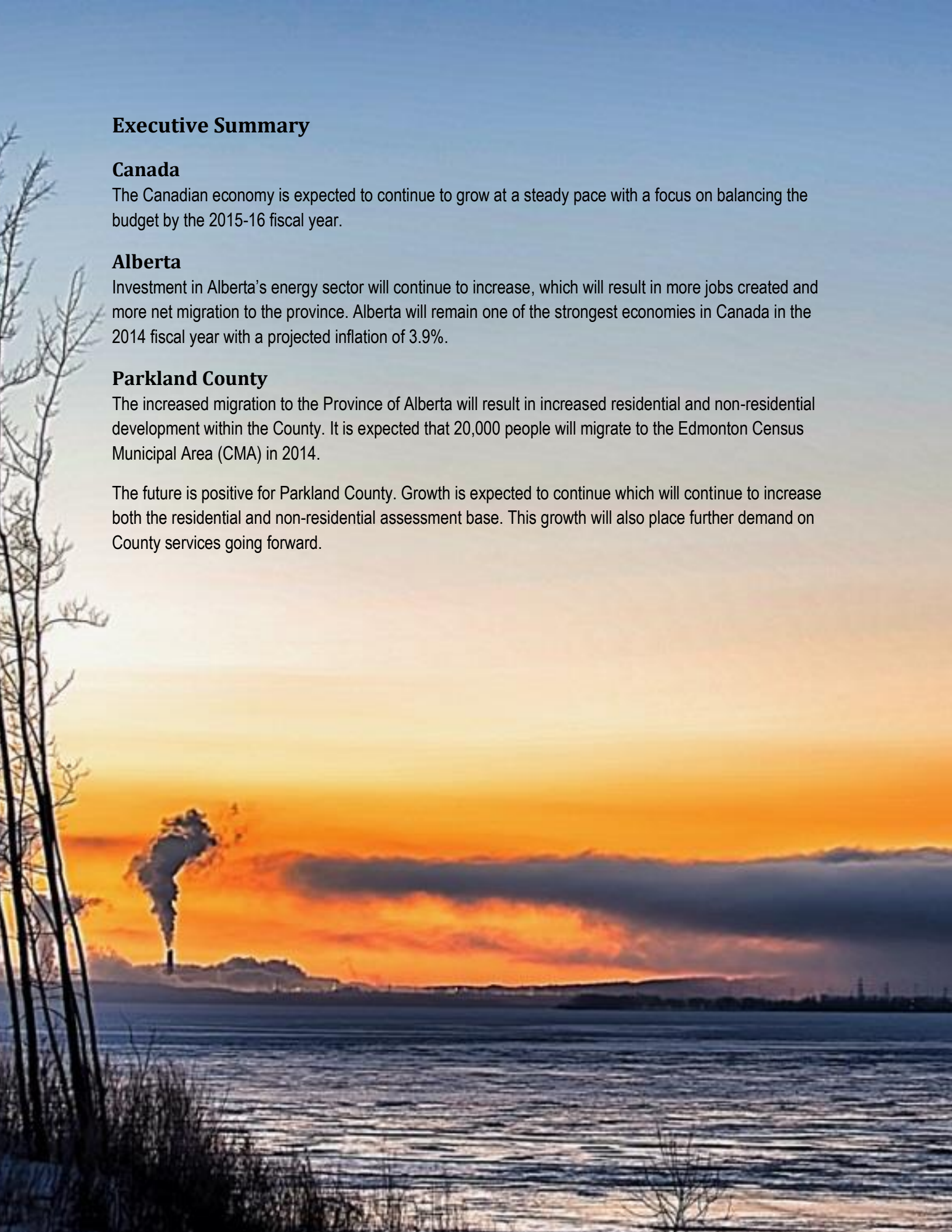
Alberta

Investment in Alberta's energy sector will continue to increase, which will result in more jobs created and more net migration to the province. Alberta will remain one of the strongest economies in Canada in the 2014 fiscal year with a projected inflation of 3.9%.

Parkland County

The increased migration to the Province of Alberta will result in increased residential and non-residential development within the County. It is expected that 20,000 people will migrate to the Edmonton Census Municipal Area (CMA) in 2014.

The future is positive for Parkland County. Growth is expected to continue which will continue to increase both the residential and non-residential assessment base. This growth will also place further demand on County services going forward.



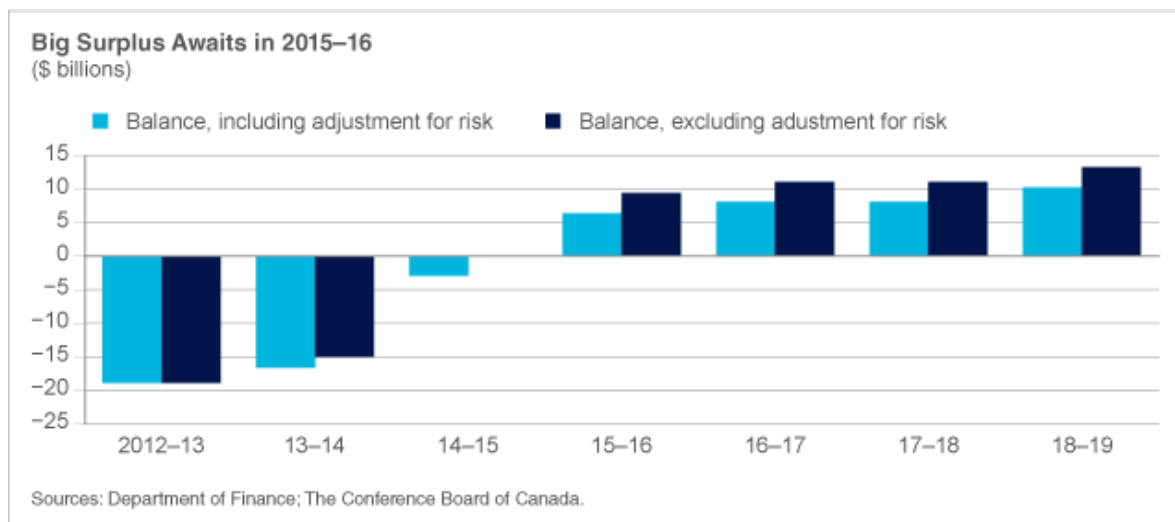
Introduction

A critical component of our budget process is looking at economic indicators and assessing how they will impact Parkland County. We complete this process by reviewing reports developed by external parties and through discussion with our internal experts at Parkland County. As a result of this work, an overview of the economy, assessment predictions, and other factors are provided below.

Growth and the Economy

Canada

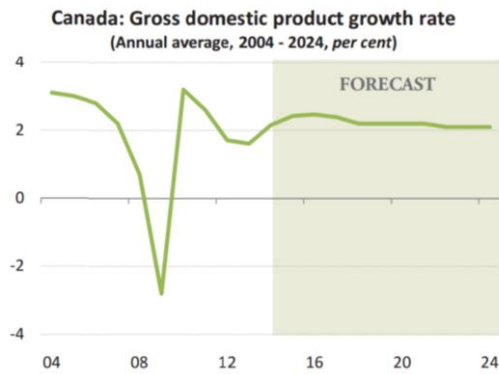
The Canadian economy continues to perform well. According to the Conference Board of Canada, the focus on cost cutting measures to produce fiscally responsible budgets is projected to result in surplus budgets starting in the 2015-16 fiscal year¹.



The news from the Royal Bank's Canadian Economic and Financial Market Outlook for March 2014 is also positive. The Outlook indicated that, "After four years of growth being driven by the household sector, Canada's economy is about to undergo a shift as the strengthening in the global economy fuels demand for Canadian exports. Not only will the drivers of growth switch in 2014 but the pace of economic activity will accelerate following a two year period of sub-potential increases. We expect Canada's economy to grow by 2.5% in 2014 and 2.7% in 2015."²

¹ http://www.conferenceboard.ca/topics/economics/budgets/federal_2014.aspx

² <http://www.rbc.com/economics/market/pdf/fcst.pdf>

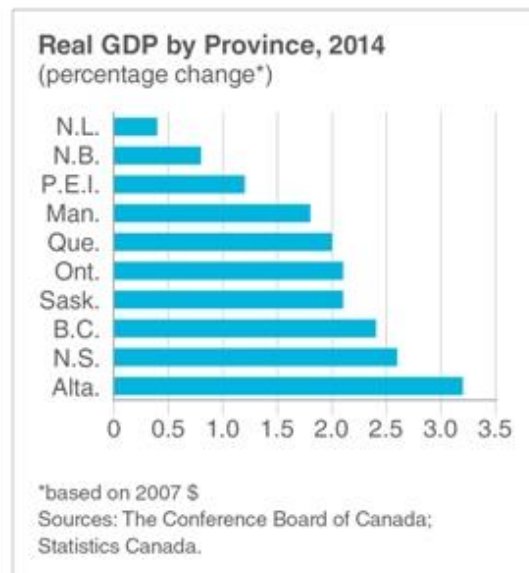


Source: Conference Board of Canada, Corporate Economics.

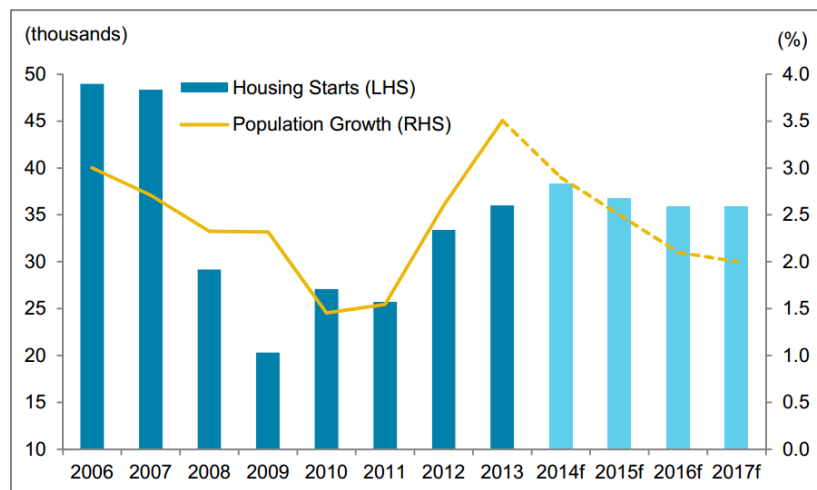
RBC's growth projections are confirmed by the Conference Board of Canada's forecast for the Canadian GDP. The forecasts for the Canadian economy show steady positive growth and a movement towards balanced budgets. The impact of this is an attractive and stable market place for businesses and residents.

Alberta

The positive growth of the Canadian economy translates directly to the Alberta economy. The Conference Board of Canada states that "Alberta finds itself in an enviable position. Both its exports and domestic economy are expanding rapidly and the province is expected to have the fastest growing provincial economy this year." This growth is projected to add 61,000 jobs within the province in 2014.³ The growth in the job market will translate into continued migration into Alberta and more housing starts. The Economic Outlook Fiscal Plan 2014-17, produced by Alberta Treasury Board and Finance, shows the projected positive trend in housing starts and population increases⁴.



Alberta Housing Starts and Population Growth



Sources: Statistics Canada and Alberta Treasury Board and Finance

³ http://www.conferenceboard.ca/press/newsrelease/14-03-20/alberta_regains_top_spot_in_provincial_economic_growth_in_2014.aspx

⁴ <http://finance.alberta.ca/publications/budget/budget2014/fiscal-plan-economic-outlook.pdf>

Alberta Continued

The Conference Board of Canada attributes this positive growth to the increasing investment in the energy sector which continues to see a positive turn in the market⁵. The Royal Bank's Provincial Outlook for March 2014 confirms that "Investment in energy resources will continue to be massive and generate substantial direct and indirect activity in the province; however, increasingly the expansion will be fuelled by gains in a broader spectrum of economic sectors. In particular, very strong population growth, in fact, the strongest seen in 30 years in the province, will keep demand supercharged for a host of consumer goods and services, along with housing. We expect this broadening of the economic expansion in Alberta to continue in 2014. In particular, the effect of strong population growth will further reverberate across consumer-dependent sectors, including housing, retail trade and various personal services industries."⁶

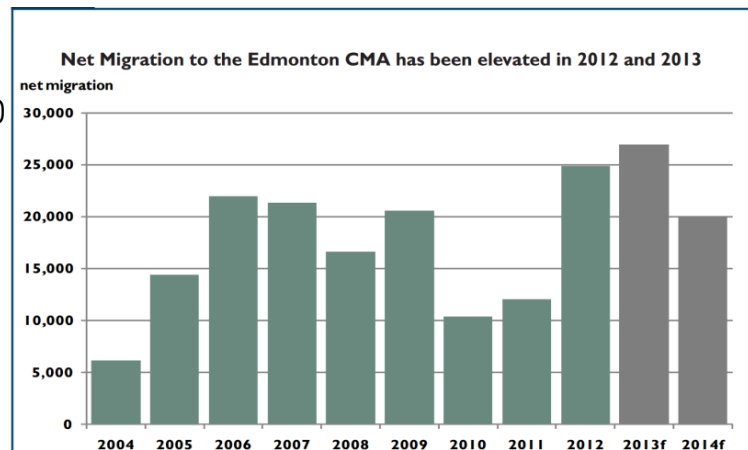
The Alberta economy continues to be strong, bolstered by Crude oil, with the West Texas Intermediate price forecast at US\$95.22 per barrel⁷. Strong oil prices coupled with the Bank of Canada's announcement that it is maintaining its target for the overnight rate at 1 percent⁸ resulted in a 3.9% increase in inflation for the 12 months ended March 2014⁹.

Parkland County

The forecasted stable performance of Canada and the forecasted growth in Alberta translate into a thriving local economy for Parkland County. The impacts of migration to Alberta will result in further need for development including residential and non-residential.

Migration

Of the 61,000 people forecasted to move into Alberta in 2014, the Canadian Mortgage and Housing Corporation is forecasting that 20,000 will be migrating to the Greater Edmonton Area.¹⁰ This is a very positive growth picture for the region. The significant migration to the area will result in increased development for the County. It is important to note that the key driver for migration, as indicated by the Province of Alberta, is an increase in the job market. This is important as it shows that the growth in the commercial and industrial sector is driving the growth in the residential sector and therefore increased assessment from both sectors is expected.



⁵ http://www.conferenceboard.ca/press/newsrelease/14-03-20/alberta_regains_top_spot_in_provincial_economic_growth_in_2014.aspx

⁶ <http://www.rbc.com/economics/market/pdf/fcst.pdf>

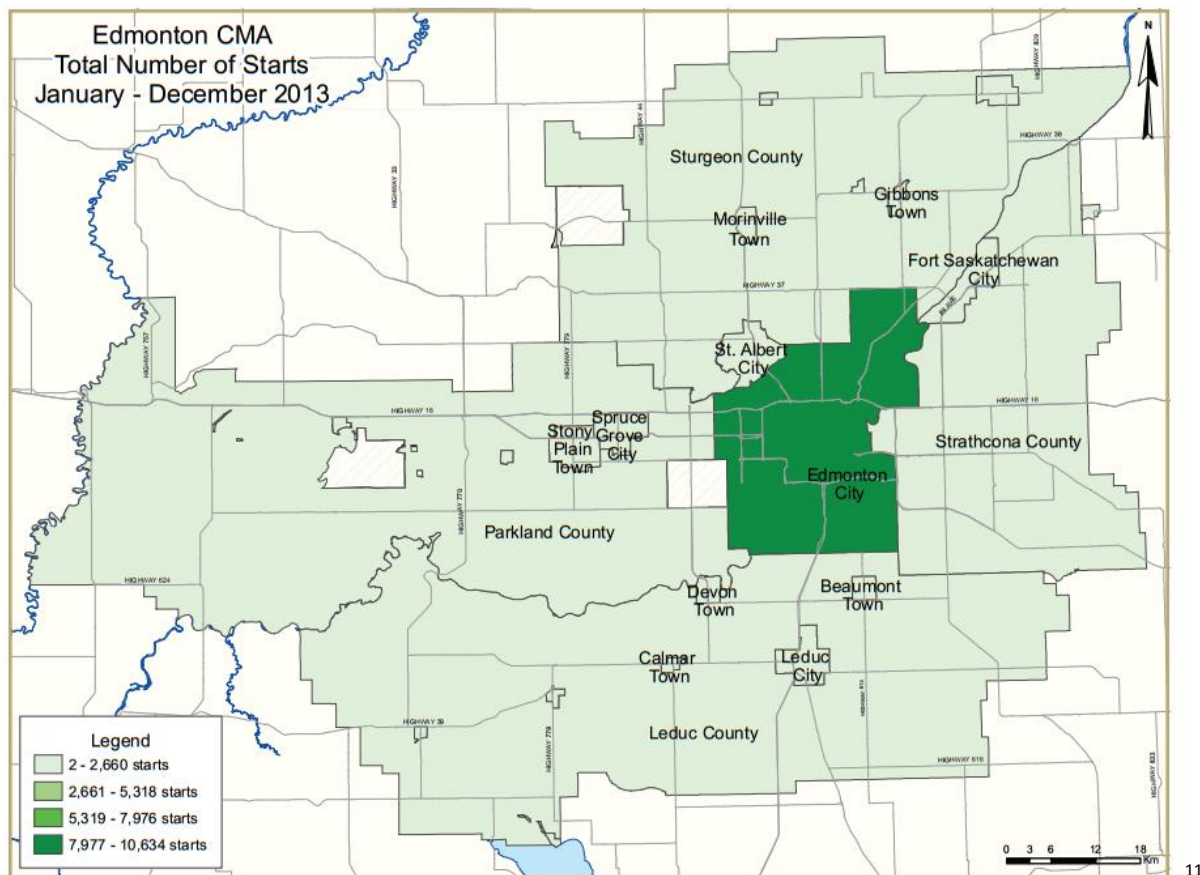
⁷ <http://alberta.ca/release.cfm?xID=35988FB0FC936-E01F-B477-D5D816382D293EDA>

⁸ <http://www.bankofcanada.ca/2014/04/fad-press-release-2014-04-16/>

⁹ <http://www.statcan.gc.ca/tables-tableaux/sum-som/I01/cst01/cpis01j-eng.htm>

¹⁰ <https://www03.cmhc-schl.gc.ca/catalog/productDetail.cfm?cat=107&itm=3&lang=en&fr=1400173668590>

The map below illustrates the number of new housing starts by area within the Edmonton CMA in 2013. This map shows that while the majority of migrants move within the Edmonton city limits, the surrounding areas see an equal disbursement of migrants looking to reside outside of Edmonton.



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Development

The expected population growth will encourage ongoing construction in Parkland County. Revenue from permits and services are expected to continue to climb.

The value of permits for industrial and commercial construction for the four months ended April 30, 2014 is \$13 million as compared to \$28 million for the same period in 2013. Residential permits are also down in comparison to 2013 with construction values for residential at \$17 million compared to \$25 million for the same period in 2013. Although permit values are lower than the prior year, we are expecting a strong third and fourth quarter which will result in total permit values for 2014 reflecting the values achieved in 2013

¹¹ http://www.cmhc-schl.gc.ca/odpub/esub/64171/64171_2014_M01.pdf

Funding

The 2014 Alberta Budget Address states that, “Budget 2014 implements the next phase of the Building Alberta Plan to invest in families and communities, live within our means and open new markets to Alberta’s resources for a stronger and more prosperous future.”¹² In order to support communities and expected growth, “The Municipal Sustainability Initiative Capital will receive an increase of \$150 million over the next three years from Budget 2013.”¹³

Impact of Growth

As a result of economic growth and increase in population, more demands will be placed on all departments to offer the same level of services provided in prior years. Growth impacts services such as Fire and Enforcement. It also increases infrastructure demands for roads, parks, recreation and culture. The Tax and Utility programs are affected by the addition of new tax and utility accounts. Growth is good but has a cost associated, especially if the same or better services are desired.

Assessment Predictions

The residential assessment is expected to increase for 2014. The Realtors Association reports that the average market price for residential properties increased by 5.9% over the prior year.¹⁴ Assessment Services is projecting a 2.8% increase for 2014 and a 2.0% increase for 2015.

The Commercial/Industrial assessment, specifically in Acheson, continues to see strong activity and with new developed subdivisions and building permit starts, it appears that 2014 and 2015 will be very strong years for development. Building permit values have decreased in comparison to this time last year but the projected level of new construction for 2014 and 2015 is very strong. Assessment Services is projecting a 6.5% increase for 2014 and a 7.0% increase for 2015.

The Linear Assessment is also anticipated to continue its steady growth. Assessment Services is projecting a 1.5% increase for 2014 and a 1.0% increase for 2015.

Internal Utility Rates

Parkland County has entered into a new agreement with Unified Energy 8760 Ltd. for electricity and natural gas for years 2014 and 2015. Electricity prices and natural gas prices are expected to remain stable.

¹² <http://alberta.ca/release.cfm?xID=35988FB0FC936-E01F-B477-D5D816382D293EDA>

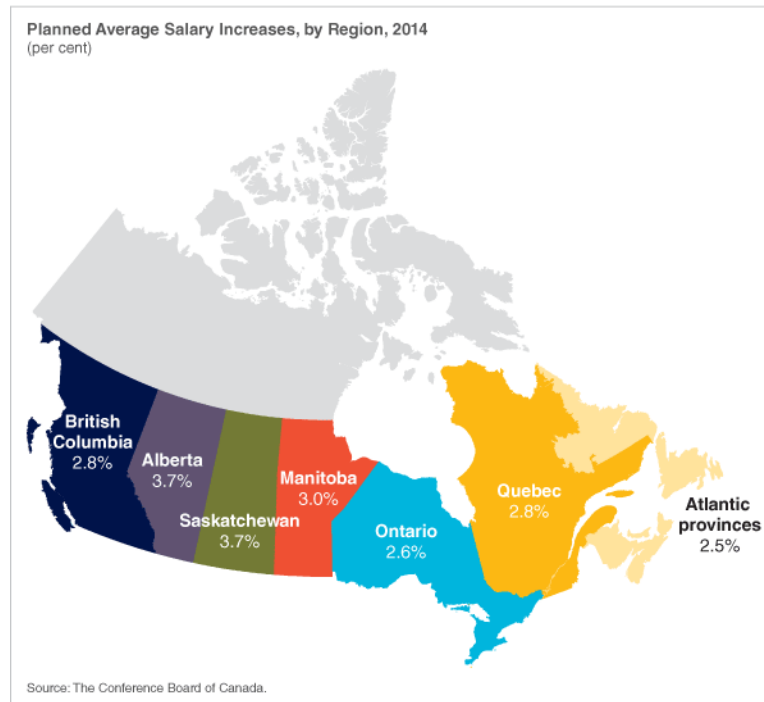
¹³ <http://alberta.ca/budget-highlights.cfm>

¹⁴ <http://www.ereb.com/News&Events/LatestMarketStatistics.html>

Manpower Planning

With continued increase in the employment rate in Alberta¹⁵ and the increase in the average wage for Albertans projected at 3.7%¹⁶, Parkland County will continue to review recruitment and retention practices to ensure that Parkland hires and retains the best employees.

Parkland County has entered into a three year contract with the International Union of Operating Engineers which expires December 31, 2015.



Summary

The economic outlook for Parkland County is very positive. It is anticipated that the Alberta economy, driven by the energy sector, will continue to grow at a steady pace. The growth in the energy sector will result in the creation of more jobs which will continue to draw job seekers into the capital region. We anticipate continued strong commercial/industrial and residential development and an increase in the local inflation rate. We also expect to see an increase in the tax assessment, a greater demand for services, and an increase in the cost of providing those services.

¹⁵ <http://www.esdc.gc.ca/eng/jobs/lmi/publications/bulletins/ab/mar2014.shtml>

¹⁶ http://www.conferenceboard.ca/press/newsrelease/13-10-22/canadian_workers_can_expect_a_third_year_of_modest_salary_increases_in_2014.aspx