

Attachment I

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, such as the Bank of Canada, and through discussion with our internal experts at Parkland County. As a result of this work, a brief overview of the economy, assessment predictions, and other factors is provided below.

Growth and the Economy

The Royal Bank's Canadian Economic and Financial Market Outlook for March indicated that, "After a run of disappointing real GDP reports, the back-to-back gains in January and February support our forecast for a strengthening in first-quarter growth. In fact, upside surprises in the monthly GDP and March trade date led us to boost our first-quarter forecast to 2.3% annualized growth from 1.9%."¹

The Royal Bank's Provincial Outlook for March indicated that "By most accounts, the economic boom is alive and well in Alberta. We estimate that the province led all other regions of the country in terms of growth in 2012 with a rate of 3.5%, we expect it to remain among the leaders again in 2013 with a 3.0% rate. Employment in Alberta is on a steady upswing, which attracts new migrants into the province at record levels. Population growth reached a five-year high in Alberta in 2012. In turn, strong population and employment gains feed demand for housing, and consumer goods and services."²

Development in Parkland County continues to grow as both industrial and commercial building permits have increased over 2012. The value of permits for industrial and commercial construction up to April 30, 2013 is \$28 million versus \$15 million for the same period in 2012. Residential permits have remained steady in comparison to 2012 with construction values for residential at \$25 million. The continued growth in the economy and the population has encouraged new construction in Parkland County which will provide additional assessment and therefore increased property tax and service revenue for the County. Although revenue from permits and services is expected to grow, revenue from provincial support is not expected to grow. The 2013 Alberta Budget Address states that, "In 2013, our economy is expected to continue to expand, but at a more moderate and sustainable pace over the medium term." To address this, the plan for the future is, "An operational plan that protects core services but ensures we live within our means."³ This may suggest that municipalities will see a reduction in Provincial government support in the near future.

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 past years. Growth impacts services such as

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

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

³ <http://www.finance.alberta.ca/publications/budget/budget2013/fiscal-plan-economic-outlook.pdf>

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 for 2013 indicates a level of growth equal to last year. The Realtors Association reports that the average market price for residential properties decreased by 1.8% over March. The second quarter is the most active time of the year and should see an increase in sales activity. Assessment Services is projecting overall assessment increase of 1% for both 2013 and 2014.⁴

The Commercial/Industrial assessment, specifically in Acheson, continues to see strong activity and with new developed subdivisions and building permit starts, it appears that 2013 and 2014 will be very strong years for development. As of April 30, 2013, building permit values are up 89% from last year and large projects that were started late in 2012 will make for a strong 2013 growth in the Industrial sector in Acheson. Growth in building permits does not directly correlate to the increase in next year's assessment as not all projects will be completed.

The growth in the Machinery and Equipment assessment will continue to be stable for 2013 and 2014 with little change. The County currently collects \$237 million in assessment which is 2.8% of our total assessment base and is expecting a modest 1% change over the next couple of years.

With the large change to Linear assessment in 2012 (from 12% to 21% of our assessment base largely due to Keephills 3) Parkland County will see a slight increase due to predicted modifier changes. Assessment Services realizes that Sundance 1 & 2 are projected to be online later in 2013 but is being cautious and predicting modest changes for 2014 as Keephills 1 was taken off line in March 2013 and isn't predicted to return to service until mid November 2013.

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 are expected to remain stable while natural gas prices are expected to decrease.

Interest Rates

On May 29, 2013, the Bank of Canada indicated that it "decided to maintain the target for the overnight rate at 1 per cent" and that this rate "will likely remain appropriate for a period of time, after which some modest withdrawal will likely be required."⁵

⁴ <http://www.ereb.com/News&Events/LatestMarketStatistics.html>

⁵ <http://www.bankofcanada.ca/2013/05/press-releases/fad-press-release-2013-05-29/>

Fuel Costs

The price of gas and diesel is subject to supply and demand in the market. The National Energy Board is predicting fuel costs to be similar to last summer ranging in between \$1.20 and \$1.30 per litre.⁶

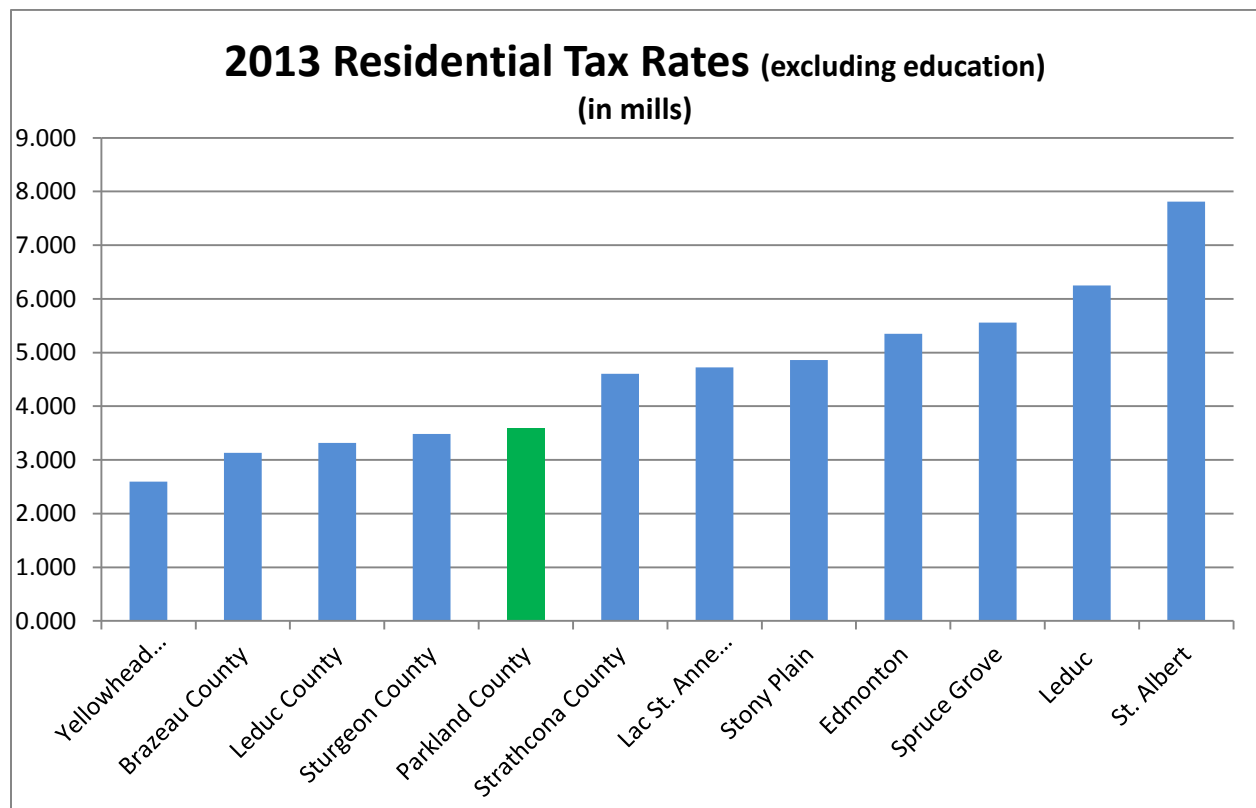
Manpower Planning

With continued increase in the employment rate in Alberta, Parkland County will continue to review recruitment and retention practices to ensure that Parkland hires and retains the best employees.⁷

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

Tax Rates

The following charts illustrate how Parkland County's tax rates compare to area municipalities.



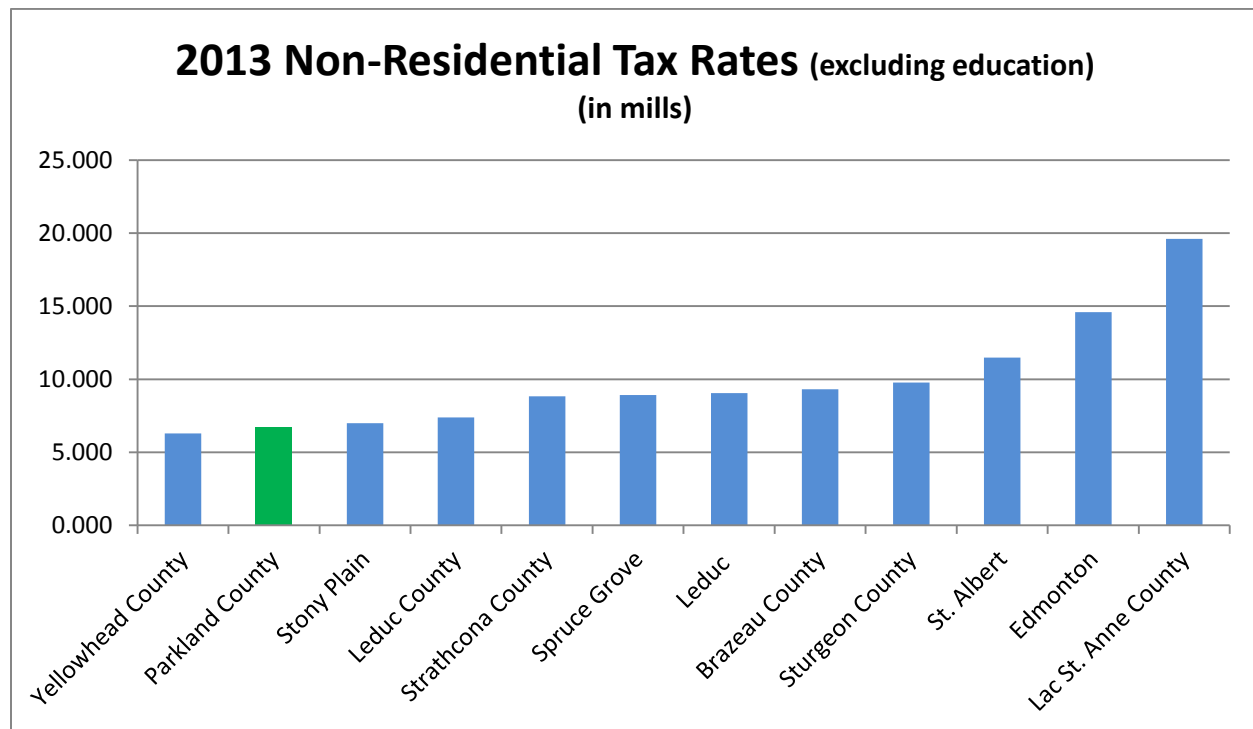
Parkland County has the fifth lowest residential tax rate of the twelve municipalities listed. Please keep in mind different levels of service dictate the amount of taxes required by the municipality. Because of

⁶ <http://www.neb-one.gc.ca/clf-nsi/rnrgynfmtn/nrgyrprt/nrgytlk/tlksmmr2013/crdlgsln-eng.html>

⁷ <http://www.hrsdc.gc.ca/eng/jobs/lmi/publications/bulletins/ab/apr2013.shtml>

Parkland County's proximity to Edmonton and the number of residential subdivisions in the County the range and level of service expected is higher than some of the smaller and more "rural" municipalities such as Yellowhead and Brazeau County.

The tax rate comparisons show that municipalities such as Sturgeon County, Strathcona County, and Lac St. Anne County have a significantly higher farmland tax rate than their residential tax rate. This ranges from 1.4-4.2 times higher than the residential tax rate thus allowing them to offer a more competitive residential tax rate.



Parkland County has the second lowest non-residential tax rate of the twelve municipalities listed. Again, different levels of service dictate the amount of taxes required by the municipality. Some municipalities charge their non-residential taxpayers a significantly higher premium.

It is important that Parkland County monitor these rates to ensure that the County remains competitive and also maintains a balance between residential and non-residential taxes.

Summary

Based on the analysis above, we expect that the Alberta economy will continue to grow at a slow but steady pace as compared to 2012. Parkland County will benefit from strong growth in commercial and industrial construction and an increase in population. This will result in an increased tax assessment and likely higher demand for services. Parkland County continues to remain competitive by maintaining some of the lowest tax rates when compared to its municipal neighbors.