

# INTERIM OPERATING AND CAPITAL PLANS

VULCAN COUNTY, ALBERTA, CANADA

PREPARED BY VULCAN COUNTY:  
CORPORATE SERVICES DEPARTMENT  
DECEMBER 2025





# THREE-YEAR OPERATING PLAN (2026-2028)

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# THREE YEAR OPERATING PLAN

The purpose of a three year operating plan is to provide an overview of the operating activities of the County for the upcoming years. This ensures that the County is not only prepared for the projected activities and service levels, but that the costs of these activities are planned in a fiscally responsible manner. The result is a greater level of stability of tax rates over the next three years.

These operating plans also allow the County to build-in projected increases in annual operating costs. An example of this is fuel; projected increases in fuel cost can be included and any other changes to fuel prices can be applied. This also takes into account the County's strategic plan and goals.



Planning of large scale operating projects, such as gravel crushing, is included in the operating plans to ensure that the County is preparing in advance for these types of projects. This can include building reserves over multiple years to fund a project, rather than fund those costs all at once in the year that it takes place with a resulting spike in tax rates.



The County has consistently budgeted this way in the past. Preparing a written plan, however, ensures that this process is formalized and that these types of activities are reviewed. The implementation of written operating plans was formally made a legislative requirement in Alberta in 2017, however County Council had chosen to begin creating these written plans prior to the requirement taking effect.

In the following pages, the 2026-2028 Operating Plan is presented, indicating the projected operating revenues and expenses of the County. Included in the plan is comparative financial data for the prior three years. This written operating plan will be reviewed and updated on an annual basis.

## OPERATING REVENUES

The operating revenues for a municipality are typically budgeted on a conservative basis. Generally, this will involve taking historical revenues and adjusting for known future variances such as changes made to funding agreements, and adjustments to service levels. The revenues will often correlate to expenditures that are also projected, such as government grant funding of operating costs.

The following are the 2026-2028 projected operating revenues:

<b>Vulcan County Three-year Operating Plan</b>	<b>Budget 2026</b>	<b>Budget 2027</b>	<b>Budget 2028</b>
<b>REVENUE:</b>			
<b>Net municipal taxes</b>			
Real property taxes	\$ 8,010,585	\$ 8,025,974	\$ 8,025,974
Linear taxes	15,649,366	15,666,488	15,684,079
Commercial taxes	1,757,484	1,759,431	1,759,431
Government grants in lieu of taxes	21,661	21,661	21,661
Special levy	1,131,404	1,078,516	1,122,449
Well drilling tax	156	156	156
	<u>26,570,656</u>	<u>26,552,226</u>	<u>26,613,750</u>
School requisitions	(4,192,061)	(4,192,061)	(4,192,061)
Designated industrial	(86,247)	(86,247)	(86,247)
RCMP requisitions	(399,239)	(399,239)	(399,239)
Seniors foundation	(613,278)	(613,278)	(613,278)
	<u>21,279,831</u>	<u>21,261,401</u>	<u>21,322,925</u>
<b>Government transfers</b>			
Provincial government transfers - Operating	629,163	529,163	529,163
Federal government transfers - Operating	308,859	308,859	308,859
Transfers from Local Government - Operating	196,805	196,368	204,992
	<u>1,134,827</u>	<u>1,034,390</u>	<u>1,043,014</u>
<b>Return on investments</b>	626,824	626,824	626,824
<b>Sale of goods, services, and user charges</b>	888,508	895,980	904,508
<b>Rental income</b>	322,900	323,100	322,600
<b>Community aggregate levy</b>	142,912	142,912	142,912
<b>Penalties and costs of taxes</b>	130,000	130,000	130,000
<b>Other revenue</b>			
Fines	16,500	16,500	16,500
	<u>16,500</u>	<u>16,500</u>	<u>16,500</u>
<b>TOTAL BUDGETED OPERATING REVENUES</b>	<u>\$ 24,542,302</u>	<u>\$ 24,431,107</u>	<u>\$ 24,509,283</u>



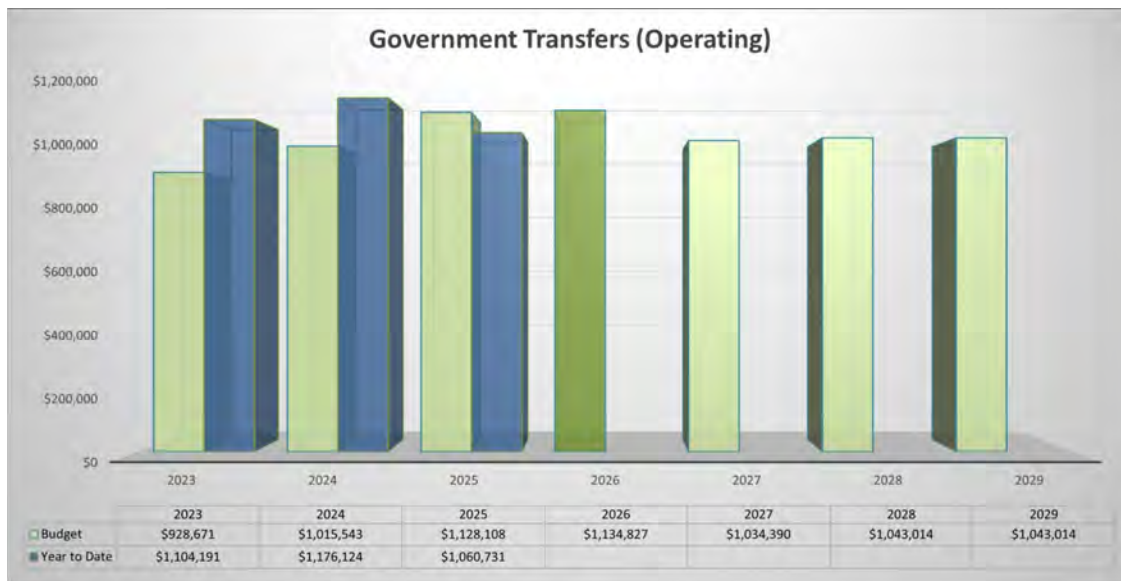
# OPERATING REVENUE - continued

The tax revenues and the requisitions for school and senior support are budgeted based on the 2025 actual amounts plus any additional information known and/or projected for 2026. The final tax assessment figures for the County have not been determined for 2026 and we are not able to speculate on any potential changes in assessment.

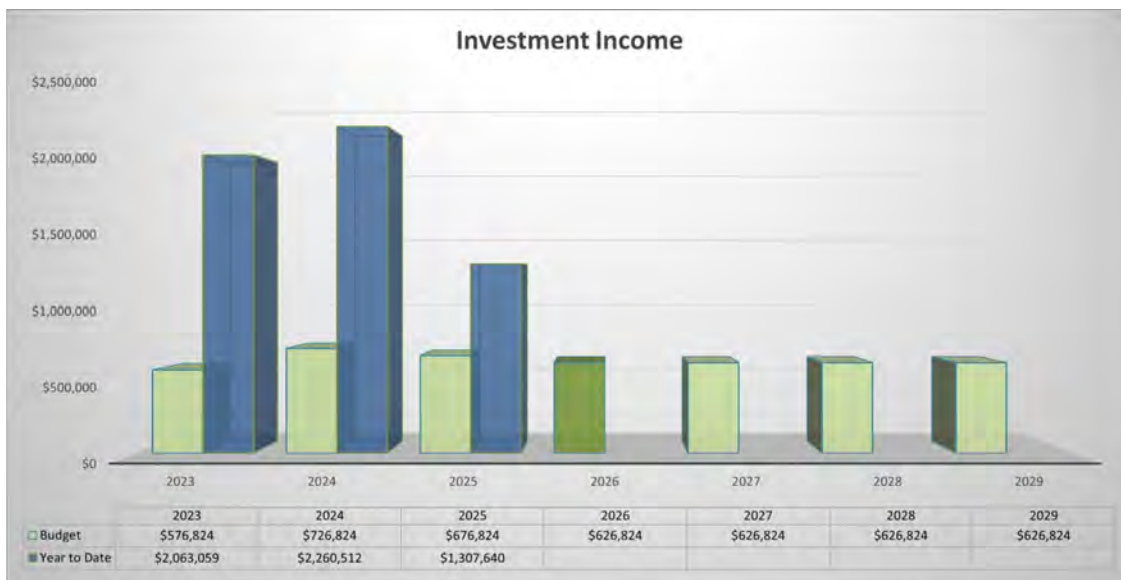
There is a projected increase in taxable assessment in 2026 as an estimated \$430 million wind farm is projected to be online and fully commissioned in advance of 2026; whereas, the County budgeted to receive approximately 1/2 of the tax revenues in 2025 (supplementary assessment). Currently, the County is projecting to increase total tax revenues with the increased assessment with the potential of including tax rate reductions. These figures will be updated in the 2026 Final Budget when new information becomes available.



## OPERATING REVENUES - continued

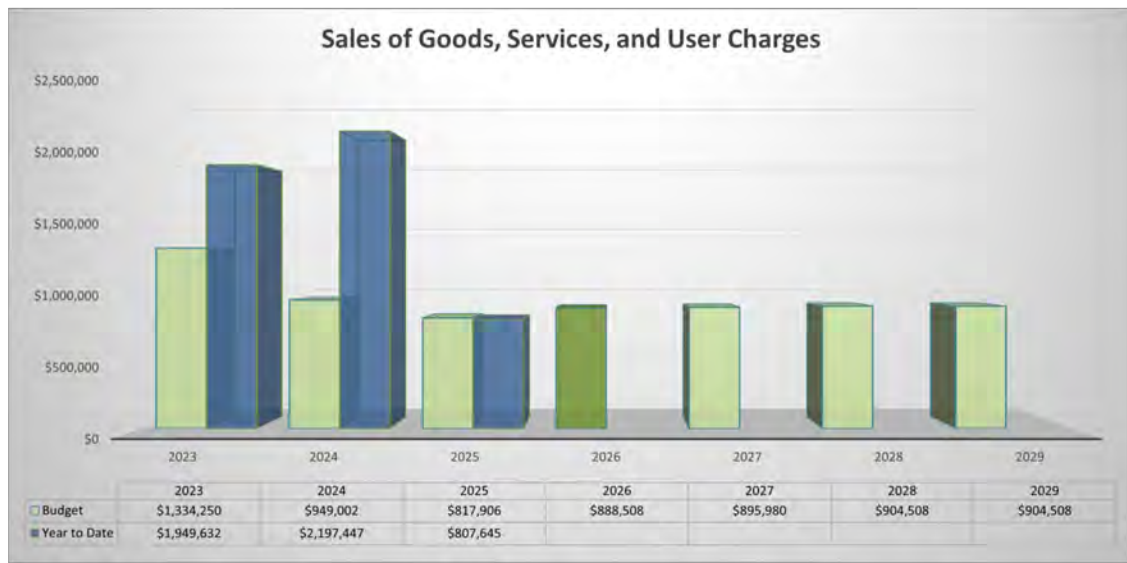


The majority of the government transfers for operations relate to the Government Fiscal Framework (LGFF - which replaced the prior Municipal Sustainability Initiative (MSI) Operating grant in 2024), the Canadian Community Building Fund (CCBF - previously known as federal gas tax fund) grant, and the Agricultural Service Board (ASB) grant. The LGFF Operating, CCBF, and the ASB grant are based on prior year funding allocations.



The investment income is typically based on previous years' interest and dividends received and was historically budgeted very conservatively. Starting in 2022, the interest rates have had a significant increase with the increase in the bank's Prime Rate, therefore, with this increase, the County has increased its projections for the 2023-2025 based on current locked in investment rates (including multi-year GICs), with slight reduction in 2026 with some specific GIC maturing which had the higher rates.

## OPERATING REVENUES - continued



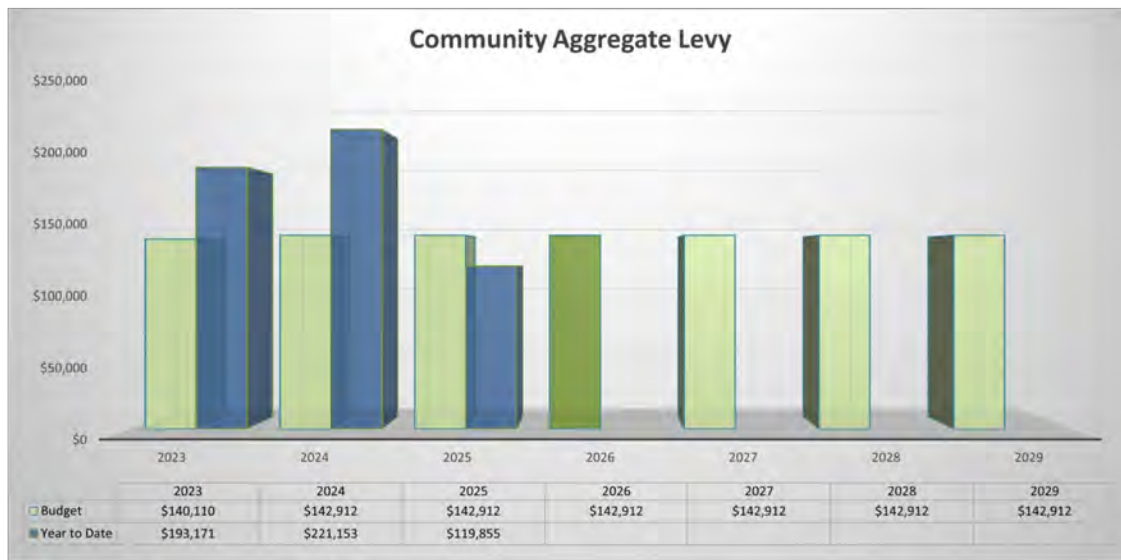
The sale of goods, services, and user charges include the sale of materials and supplies (i.e. gravel sales), surface rights, fees charged for services (i.e. permits, tax certificates, safety codes), and cost recoveries (i.e. dust abatement). Historical revenues are typically used to project these revenue sources. In 2023 & 2024 included additional one-time road use agreement recovery costs for the wind project (covering additional service costs for the roads relating to this project).



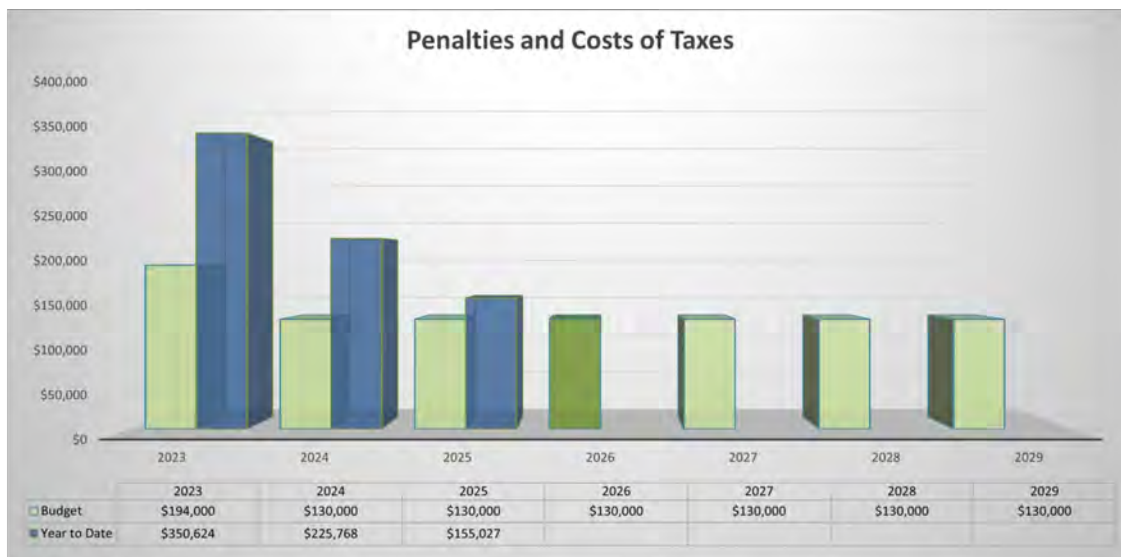
Rental income is based on multi-year rental agreements that the County has with the Royal Canadian Mounted Police (RCMP) and Alberta Heath Services (AHS). There are also other rental agreements for buildings and equipment as well.



## OPERATING REVENUES - continued



The community aggregate levy is the levy for transporting materials such as gravel and sand from gravel pits within the County and is intended to help offset the increase in road maintenance costs caused by these activities. The rate of \$0.25/tonne is set by Bylaw. Current estimates of revenue here are based on the previous 5 years of actuals.



The penalties and costs of taxes are the penalties charged on unpaid taxes and are added to the tax roll. As the actual outstanding tax arrears fluctuate from year to year, and is outside of the County's control, the budget uses a conservative amount. During 2023, the penalties included a late payment from a large tax balance (repaid in 2023). This is considered to be unusual so their effect on future projections has been limited. The 2026 budget and upcoming years are reduced based on the recent higher rates of collection on tax balances.

## OPERATING REVENUES - continued



Other revenues include fines, donations, recovery of accounts receivable, and other miscellaneous revenues. Most of these are not able to be projected; therefore, the budget currently only consists of the fines and other known revenues.

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During 2024, the County had a land sale on one of the industrial park properties (classified as "lands held for resale" inventory in 2024 as these properties are now subdivided by Alberta Land Titles). As the proceeds on the sale exceeded the cost base of the property, it created a gain on sale of the property (which differs from the gains on disposals of TCA as it is not classified as TCA). There was also additional other revenues including a \$41,000 recovery of prior tax arrears that were previously considered uncollectable and were written off with an allowance for doubtful accounts (AFDA).



## OPERATING EXPENSES

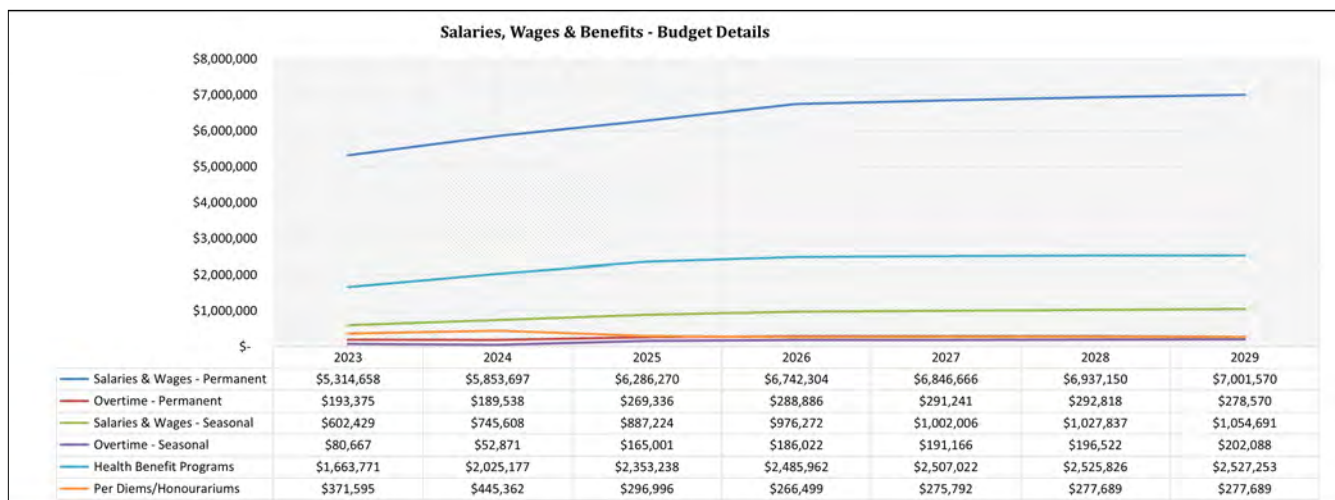
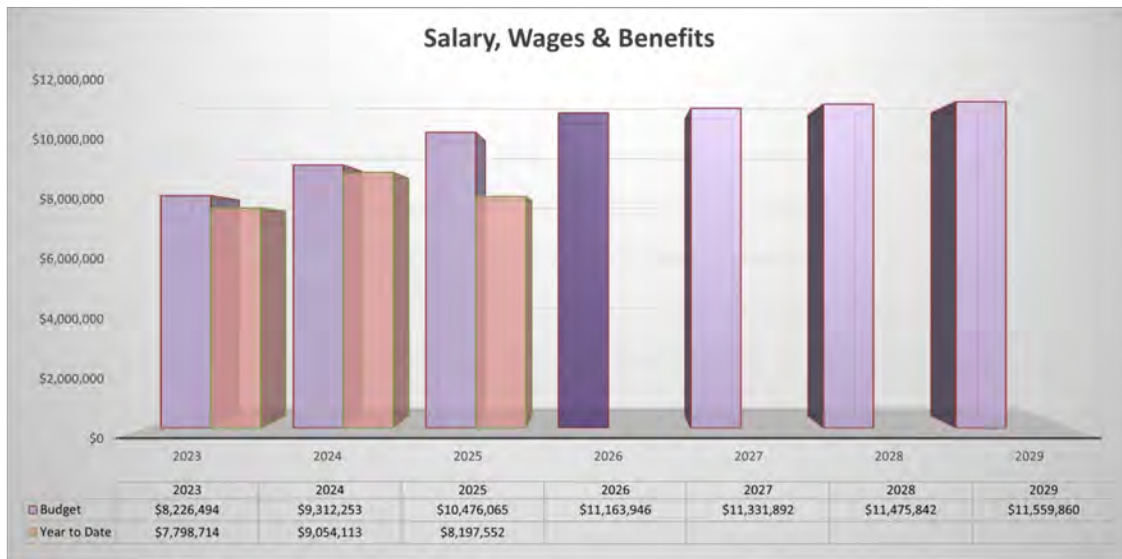
The operating expenses for a municipality are also budgeted on a conservative basis to ensure the budget is sufficient to cover whatever costs may occur and prevent the County from having to draw on reserves to fund a shortfall. This often includes adding amounts for unpredictable expenses like unexpected vehicle breakdowns and building maintenance.

Typically, these operating expenses are determined by historical trends, projected market fluctuations (i.e. fuel/diesel pricing), inflation, expected pay rates based on approved salary grids, and projected changes in service levels.

The following is the 2026-2028 projected operating expenses:

<b>Vulcan County Three-year Operating Plan</b>	<b>Budget 2026</b>	<b>Budget 2027</b>	<b>Budget 2028</b>
<b>EXPENSES:</b>			
Salaries , wages and benefits	\$ 11,163,946	\$ 11,331,892	\$ 11,475,842
Contracted and general services	4,348,081	3,544,907	3,394,583
Materials, goods and utilities	4,098,568	3,709,780	3,779,735
Transfers to local boards and agencies	3,124,820	2,405,642	2,063,138
Interest and bank charges		-	-
Bank Charges and Short Term Interest	14,990	14,990	14,990
Interest on Capital Long Term Debt	20,087	16,459	12,741
	<u>35,077</u>	<u>31,449</u>	<u>27,731</u>
Amortization of tangible capital assets	5,013,435	5,013,435	5,013,435
Machine expenses capitalized for construction	(3,083,765)	(2,261,675)	(2,953,349)
Other expenses			
Contingency	20,000	20,000	20,000
Tax Discounts & Write-offs	263,363	263,723	263,723
ARO Accretion	21,654	22,509	22,509
Other	7,492	7,492	7,492
	<u>312,509</u>	<u>313,724</u>	<u>313,724</u>
<b>TOTAL BUDGETED OPERATING EXPENSES</b>	<b>\$ 25,012,670</b>	<b>\$ 24,089,154</b>	<b>\$ 23,114,838</b>

## OPERATING EXPENSES - continued



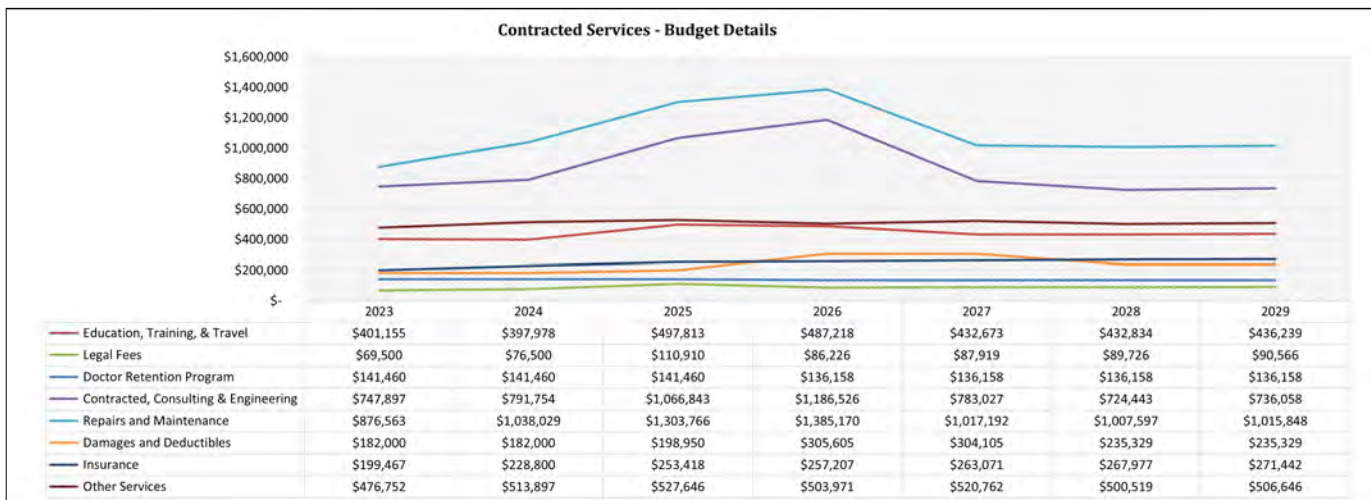
The salaries, wages, and benefits include all of the staff wages/benefits and Council per diems. All of these costs have the 2026 approved salary grid increases included which cover one-time market increases (reviewed approximately every 4 years), cost of living increases and staff grid movements, as well as projected new hires.

During 2023 and 2024 there has been higher inflationary cost increase which have a higher level of cost of living adjustments (COLA); however, the County is hoping that the inflationary increases level-off and are minimal in upcoming fiscal years. Benefit premium rates also are projected to increase for 2024 and again for 2025. Budget 2026 had a slight reduction to 2.158% in the projected COLA compared to the past couple years and the benefit rates only had some minor increases (based on actual usage).

There are additional increases from 2026-2028 with projected staff grid movements, and additional staffing for addition of a deputy fire chief and a water/wastewater treatment plant operator (maintained the extended road construction season at this time).



## OPERATING EXPENSES - continued



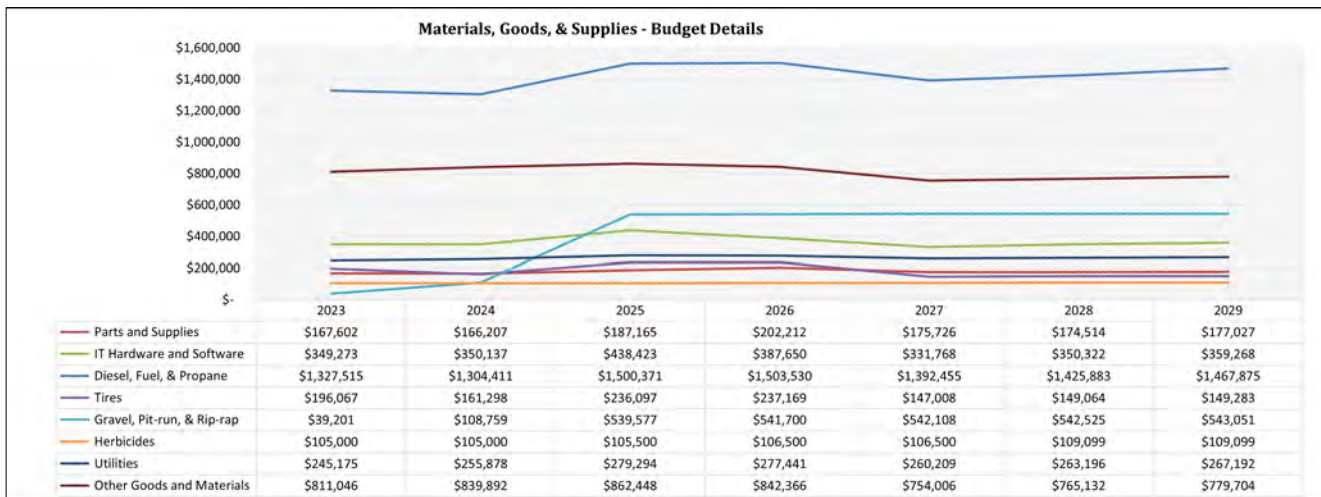
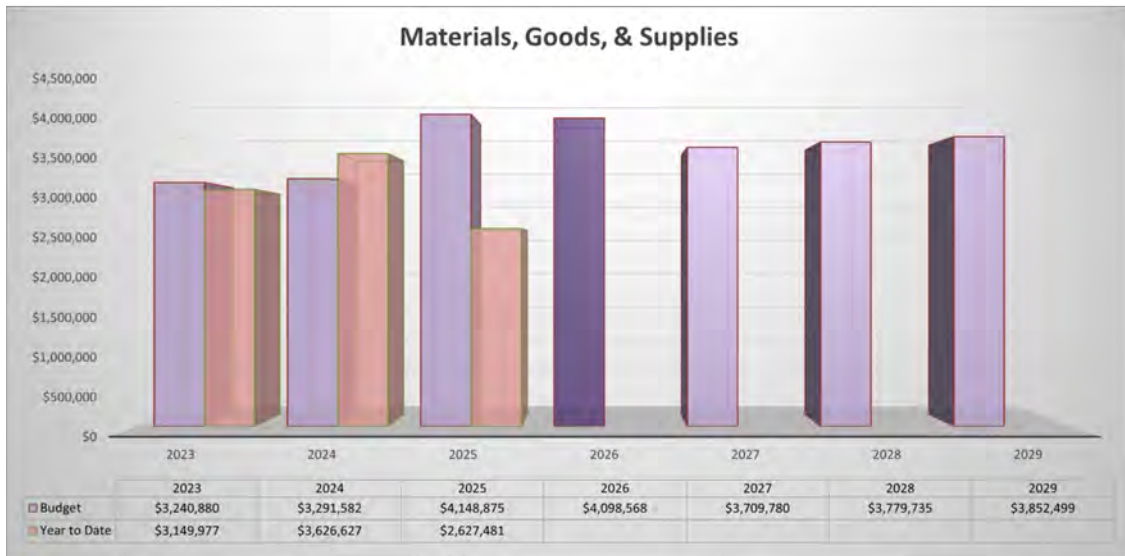
The contracted services include the costs of repairs and maintenance, consulting and contracted services, audit and legal fees, telecommunications, insurance, and other services.

Budget 2026 includes some additional projects and/or one-time service costs including projected transition costs for planning services (reserve funded), completion of the 2025/26 Regional Transportation Master Plan (grant funded), starting the Stormwater Management Plan (grant funded), specific large equipment repairs, and the contracted construction of the Uly Dam. These are projected to be completed in 2026 and are not ongoing or to be reduced into future years.

Most other service costs stay consistent from year to year, but there are projected increases safety code fees/services (based on historical increases) and there will be some fluctuations in road repairs and crop damages based on the upcoming projects.



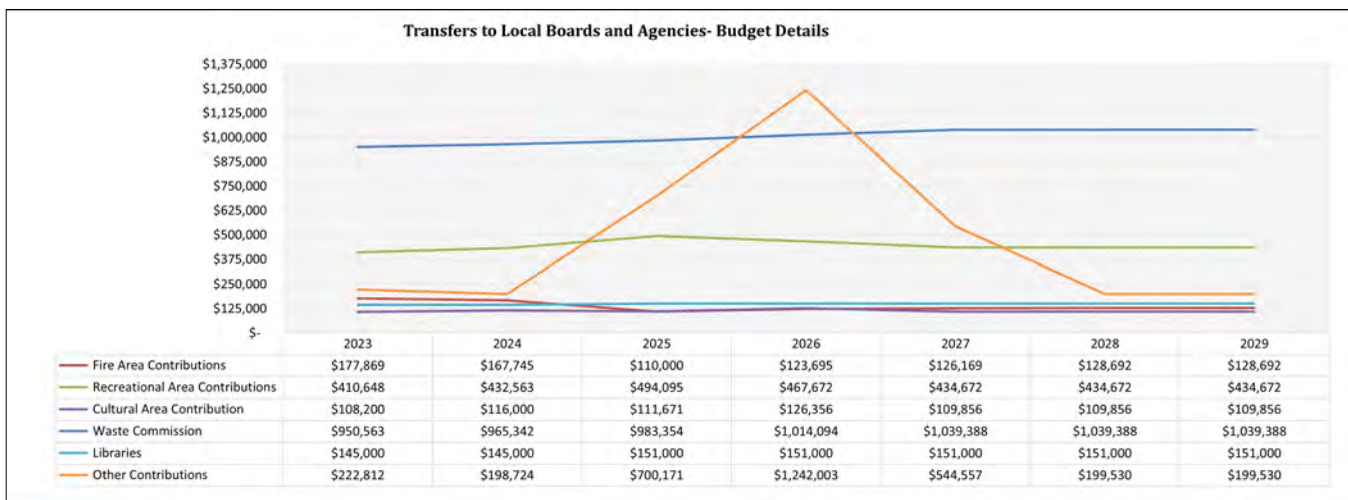
## OPERATING EXPENSES - continued



The materials, goods, and supplies includes the costs of supplies, utilities, information technology, fuel, gravel, herbicides, culverts, blades, tools, and other consumables.

Most of these costs stay somewhat consistent from year to year; whereas, the fluctuations typically relate to changes in specific or one-time projects. There was a projected decreases in IT Hardware as Budget 2025 includes some one-time purchases including Council computer/tablet replacement and finalization of a technology project for fire & emergency services. There is a projected decrease in culvert costs and fencing as Budget 2026 has additional bridges being contracted out instead of internally constructed (based on the size/scale of the bridges). There is a projected increase in the purchase of shop supplies as many of the parts are to be replenished (may be adjusted in actual with the related inventory adjustment at yearend).

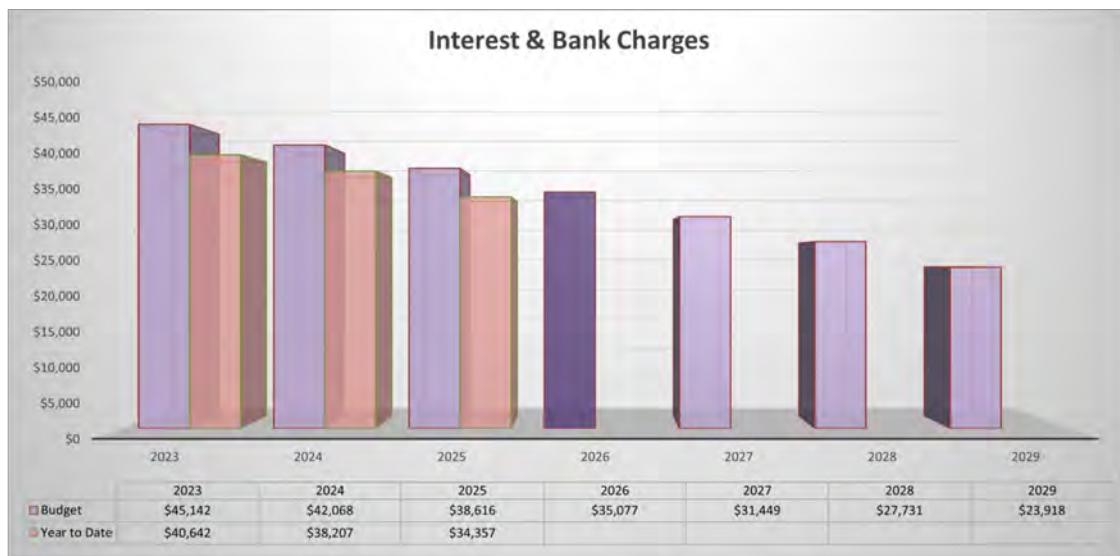
## OPERATING EXPENSES - continued



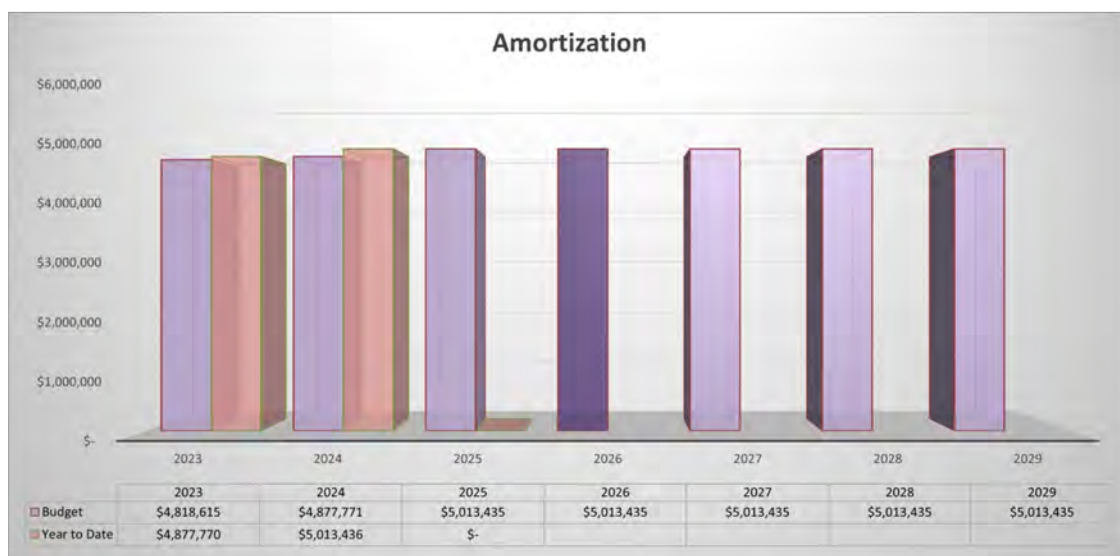
The transfer to local boards and agencies includes contributions to fire associations, recreation and cultural boards, waste and water commissions, and other community groups. The budgets are typically based on current year approved annual requests for funding. The Waste Commission is projecting increases from year to year, based on their prior year submission (which had a multi-year cost estimates) - Budget 2026 will be updated once the final funding request is received/reviewed.

The largest projected impact relates to the 2025-2027 contributions relating to the McGregor Water Systems Project (funded by specific reserve) for the construction of the Regional Water Treatment Plant in the Village of Milo and the waterlines running from Milo-Arrowwood-Mossleigh (this project and related grant funding is being managed by the Village of Milo). The 2025-2027 contributions relate to the total costs allocated to Vulcan County and are projected timing based on the engineering cashflow projections of the project.

## OPERATING EXPENSES - continued

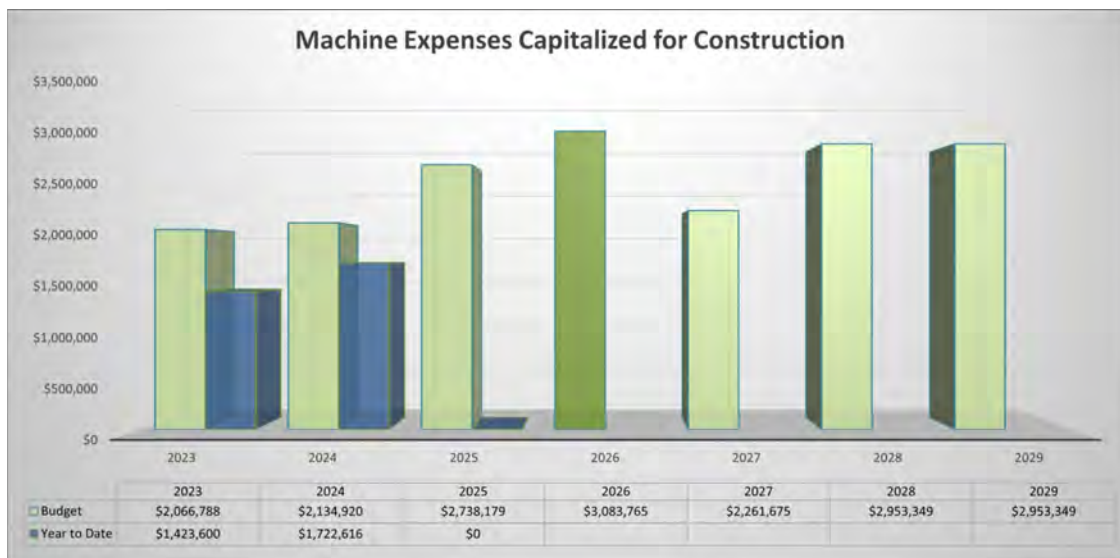


Interest and bank charges include standard banking fees, credit card fees, and the interest portion of debenture payments. The bank and credit card fee rates were able to be negotiated down from prior years and the County has implemented a "convenience fee" to recover the credit card fees we are charged for tax payments made on credit. In 2016, the County started to incur the interest costs for the Vulcan Hospital Expansion Project debenture (to be fully repaid in 2031).

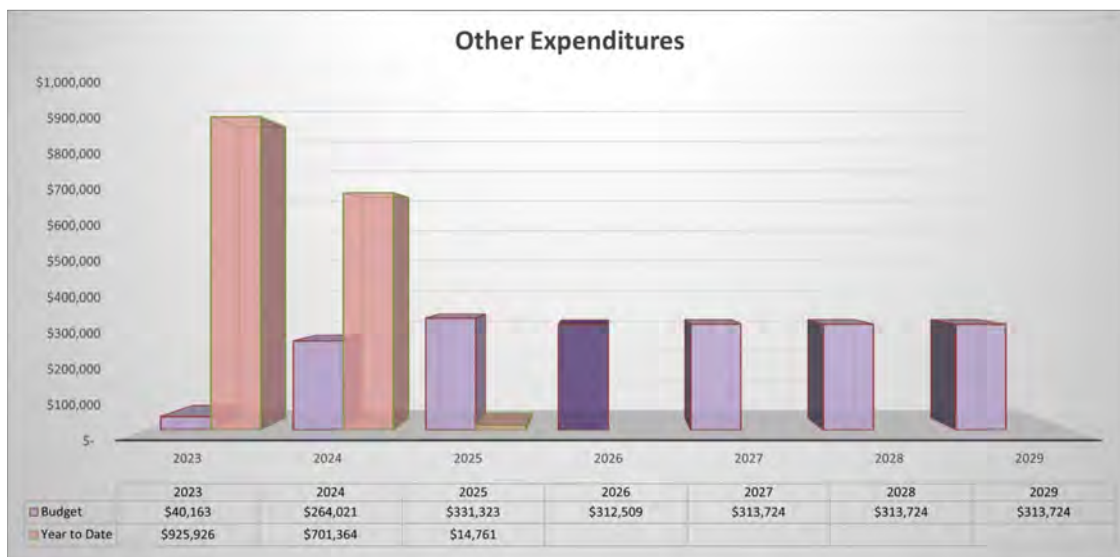


Amortization expenses are non-cash expenses which recognize the cost of the County's tangible capital assets (roads, buildings, equipment) over their expected useful lives. This is offset by annual transfers to capital reserves which will be used to replace these assets when required. Amortization is increased each year based on historical increases. The amortization on Asset Retirement Obligations (AROs) is included.

## OPERATING EXPENSES - continued



The machine expenses capitalized for construction relate to the portions of operating expenses that were incurred during construction of roads and bridges (and the marina project in 2026). These costs are included in the other operating expenses areas, such as wages/benefits, engineering costs, gravel, and others.



The other expenditures include contingency expenses, tax and receivable write-offs, and other miscellaneous expenses. Most of these are not able to be projected; therefore, the budget currently only consists of the contingency and an estimate of bad debt expense.

The 2024 budget and future budget years has a projected allowance/write-off of tax balances relating to companies that are currently insolvent; however, they still have taxable assessment (for tax revenues) which this assessment is provided by the Province.



## RESERVE AND CAPITAL TRANSFERS

The operating budget also includes reserve and capital transfers to provide sources of funding for certain purposes and to plan for future years. Total operating revenue less operating expense will result in a surplus or deficit, which is then transferred to or from capital or reserves with the goal of having no net effect on accumulated surplus.

The following is the 2026-2028 projected reserve and capital transfers:

<b>Vulcan County Three-year Operating Plan</b>	<b>Budget 2026</b>	<b>Budget 2027</b>	<b>Budget 2028</b>
<b>TOTAL BUDGETED OPERATING REVENUES</b>	<b>24,542,302</b>	<b>24,431,107</b>	<b>24,509,283</b>
<b>TOTAL BUDGETED OPERATING EXPENSES</b>	<b>(25,012,670)</b>	<b>(24,089,154)</b>	<b>(23,114,838)</b>
<b>OPERATING SURPLUS</b>	<b>(470,368)</b>	<b>341,953</b>	<b>1,394,445</b>
<b>RESERVE AND CAPITAL TRANSFERS:</b>			
Transfer of Amortization	5,013,435	5,013,435	5,013,435
Transfer of ARO Accretion	21,654	22,509	22,509
Transfer from Reserves	3,375,005	2,002,589	716,948
Transfer to Reserves	(4,555,811)	(4,818,661)	(4,643,838)
Transfer to Capital Functions	(3,083,765)	(2,261,675)	(2,953,349)
Transfer to Other Functions & Inventory	(300,150)	(300,150)	449,850
<b>TOTAL RESERVE AND CAPITAL TRANSFERS</b>	<b>470,368</b>	<b>(341,953)</b>	<b>(1,394,445)</b>
<b>TOTAL NET EFFECT ON ACCUMULATED SURPLUS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The projections will change when the final assessment and tax information becomes available. Should the County's assessment decrease, it will reduce or eliminate the surplus. If there are no assessment decreases (or perhaps there are increases), the County will have an opportunity to allocate excess funds to reserves. Since this information is not known at this time, the surplus is shown here until the County can determine the appropriate course of action.





## RESERVE AND CAPITAL TRANSFERS - continued

The transfer of amortization is the offset to the amortization expense included in the operating expenses. This transfer is to apply the reduction in the net book value of the tangible capital assets (roads, buildings, equipment) to the equity in the tangible capital assets.

The transfer from reserves is the amount of funding used from operating reserves that have been set up in prior years. This can include the reserves that have been built up specifically for operating expenditures or that have been built from prior surpluses (revenues exceeded budget and/or expenses less than budget).



The transfers to reserves are the amounts of funds that are raised in the operating budget to be used for either future operating projects or capital projects:

- Currently, the County has a twenty (20) year capital funding program (as discussed in the five-year written capital plan). In the plan there is approximately \$2.5 million put into capital reserves for this program (funding 2026 and future years capital acquisitions).

The transfer to capital function is the offset to the capitalization of operating expenses related to road and bridge construction. This ensures those costs are added to the cost of the assets and they can then be properly amortized over their useful life.





# FIVE-YEAR CAPITAL PLAN (2026-2030)

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# FIVE-YEAR CAPITAL PLAN

The purpose of a five year capital plan is to provide an overview of the capital requirements for the County in upcoming years and to ensure that the County is in a position to fund those purchases in a fiscally responsible manner. One of the results of implementing a capital plan is a reduction in fluctuations of tax rates since the County will be building reserves to draw on for capital acquisitions rather than using tax dollars directly.



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The County currently has a twenty year capital funding program. All costs and estimated replacement dates for the County's capital assets are projected. Once an asset is due for replacement, the funds necessary to purchase it will have effectively been saved up via additions to capital reserves. For example, a grader with an estimated replacement cost of \$500,000 is scheduled to be replaced in 5 years; therefore, a total of \$100,000 would be allocated to a reserve each year so that when the grader is to be purchased after 5 years, the funds will be available.

The capital reserve balances and future requirements are actively monitored by County administration. Currently, the County is contributing \$2.5 million per year to capital reserves to meet the needs of the plan.

This twenty year capital funding program is considered a "living" document and is updated on an annual basis to take into account changes in capital reserve levels, changes in years of replacement, and the projected replacement costs. Although this capital funding program spans 20 years, as the year of replacement gets closer to the current year the estimations of replacement costs typically become more accurate.

## CAPITAL PLAN

The following is the 2026-2030 projected capital plan:

<b>Vulcan County Capital Budget and Projections</b>	<b>Budget 2026</b>	<b>Projected 2027</b>	<b>Projected 2028</b>	<b>Projected 2029</b>	<b>Projected 2030</b>
<b>CAPITAL ACQUIRED:</b>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land Improvement	-	-	-	-	-
Buildings	150,000	8,477	6,122,744	105,388	139,790
Equipment	1,828,157	2,901,032	1,897,321	1,082,295	2,510,411
Vehicles	585,017	2,589,679	583,376	338,499	835,221
Engineered Structures	4,997,782	2,978,658	5,525,724	3,426,557	7,748,253
<b>TOTAL CAPITAL ACQUIRED</b>	<b>\$ 7,560,956</b>	<b>\$ 8,477,846</b>	<b>\$ 14,129,165</b>	<b>\$ 4,952,739</b>	<b>\$ 11,233,675</b>
<b>CAPITAL FUNDING:</b>					
Capital Grants and Contributions	\$ 1,613,141	\$ 1,934,055	\$ 1,934,055	\$ 1,934,055	\$ 1,934,055
Sale of Assets	-	-	-	-	-
Contributed Asset	-	-	-	-	-
Transfer from Capital Reserves	2,864,050	4,452,404	5,603,723	927,297	7,208,233
Transfer to Capital Reserves	-	-	-	-	-
Transfer from Operating Function	3,083,765	2,091,387	2,091,387	2,091,387	2,091,387
Transfer to Operating Function	-	-	-	-	-
Capital financing acquired	-	-	4,500,000	-	-
<b>TOTAL CAPITAL FUNDING</b>	<b>\$ 7,560,956</b>	<b>\$ 8,477,846</b>	<b>\$ 14,129,165</b>	<b>\$ 4,952,739</b>	<b>\$ 11,233,675</b>

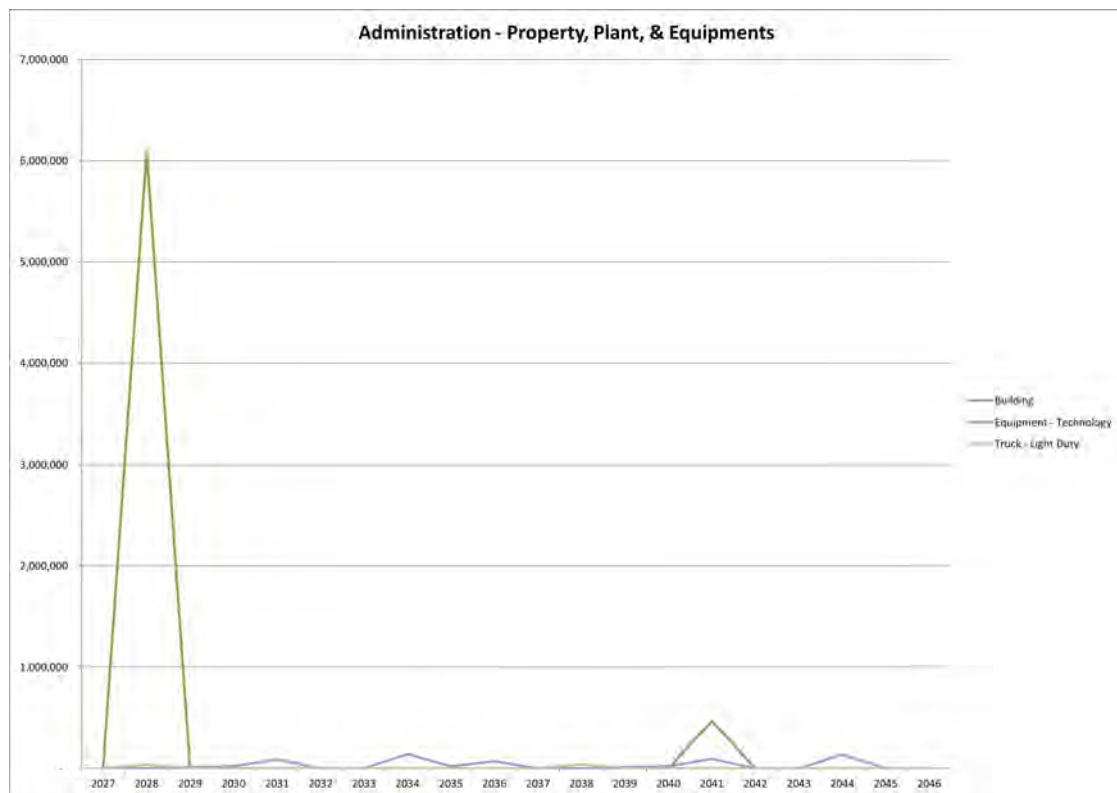
As shown above, there is some volatility in the amount spend on engineered structures for the next 5 years. These fluctuations are due to the number, size, and timing of road and bridge projects, primarily. The capital reserves have been built up over the past few years as part of this capital funding program to allow for these purchases while minimizing the future tax impact.

County Council approves the road and bridge capital programs. During the approval process, they review all projects, determine priorities, and determine the year of replacement. This is reviewed by Council every year during budget approval and can be modified if required.

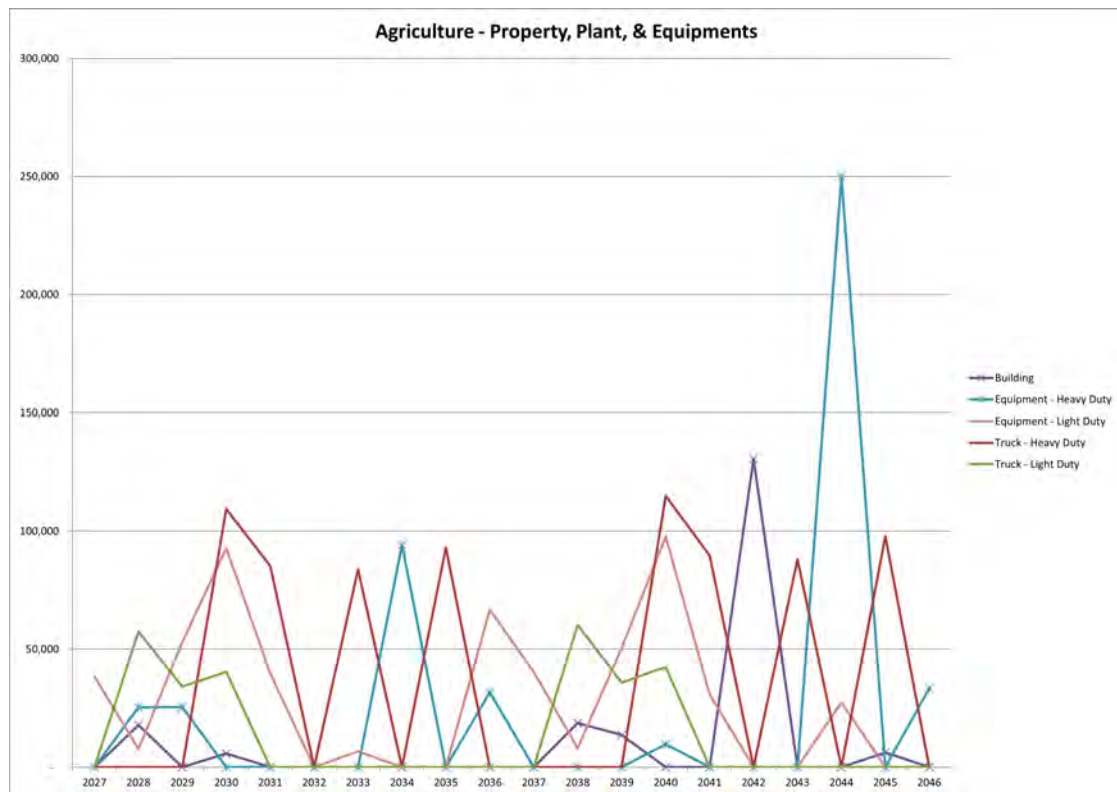
The following pages include charts for the replacement of the capital currently included in the capital funding program.



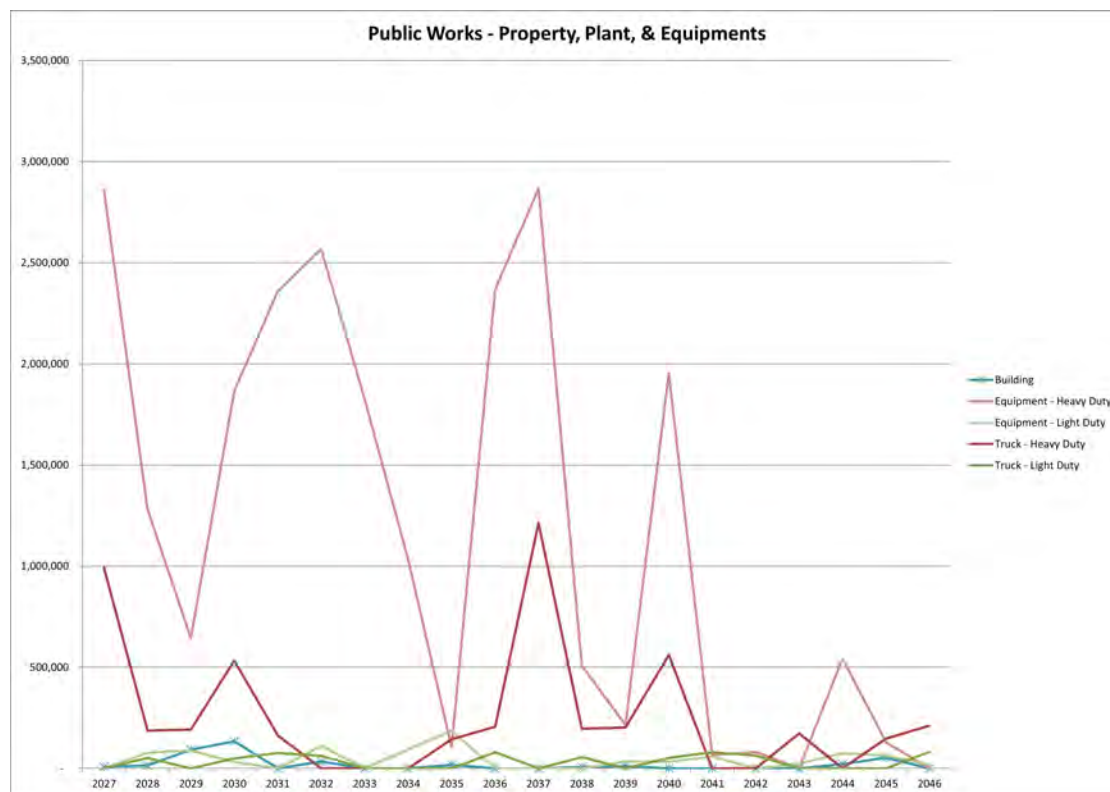
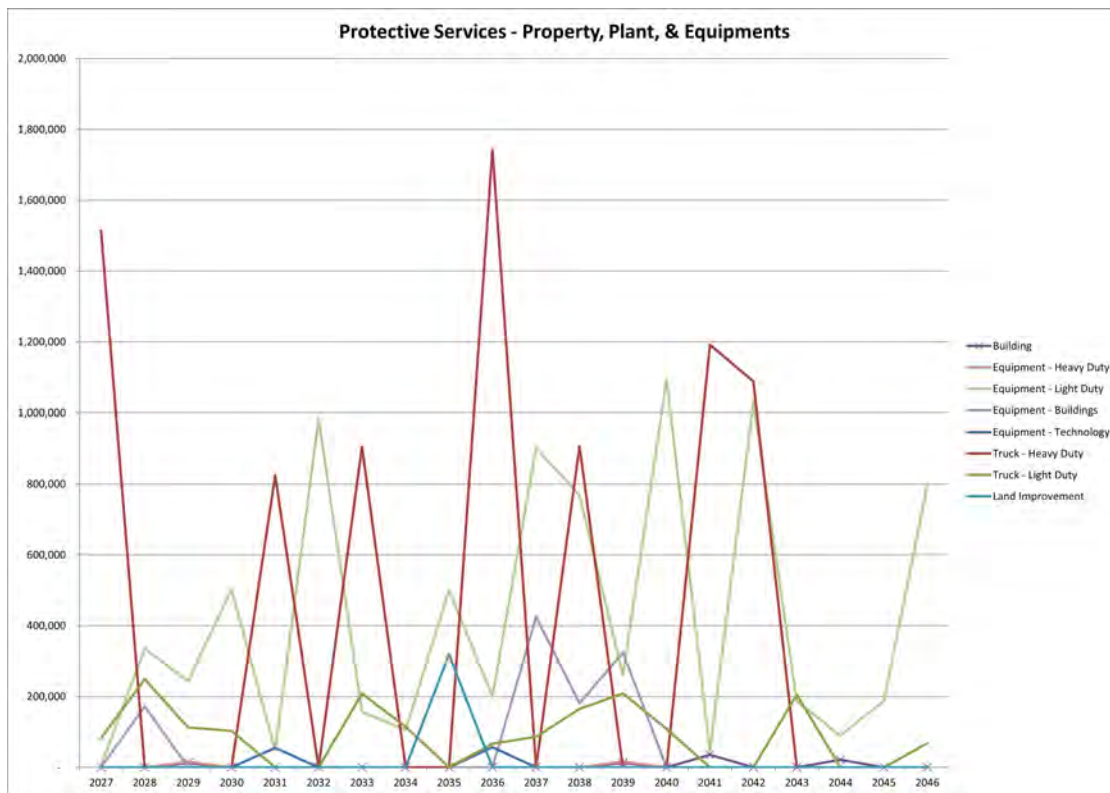
## CAPITAL PLAN - continued



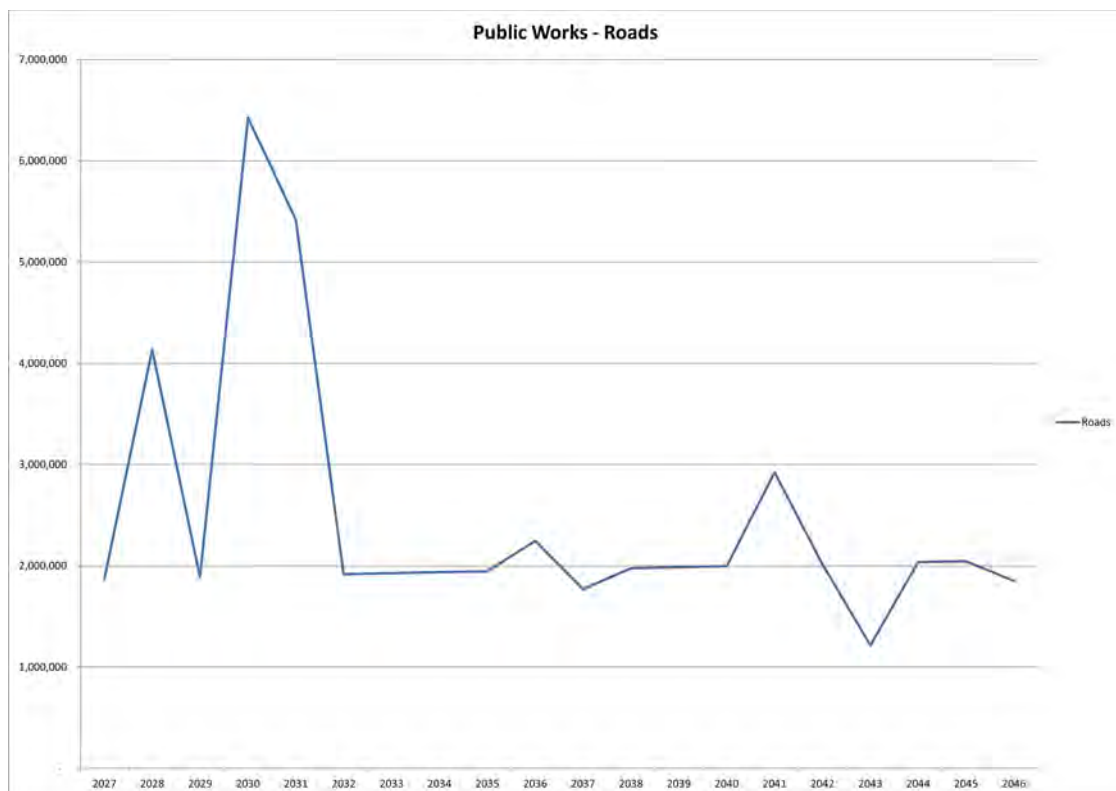
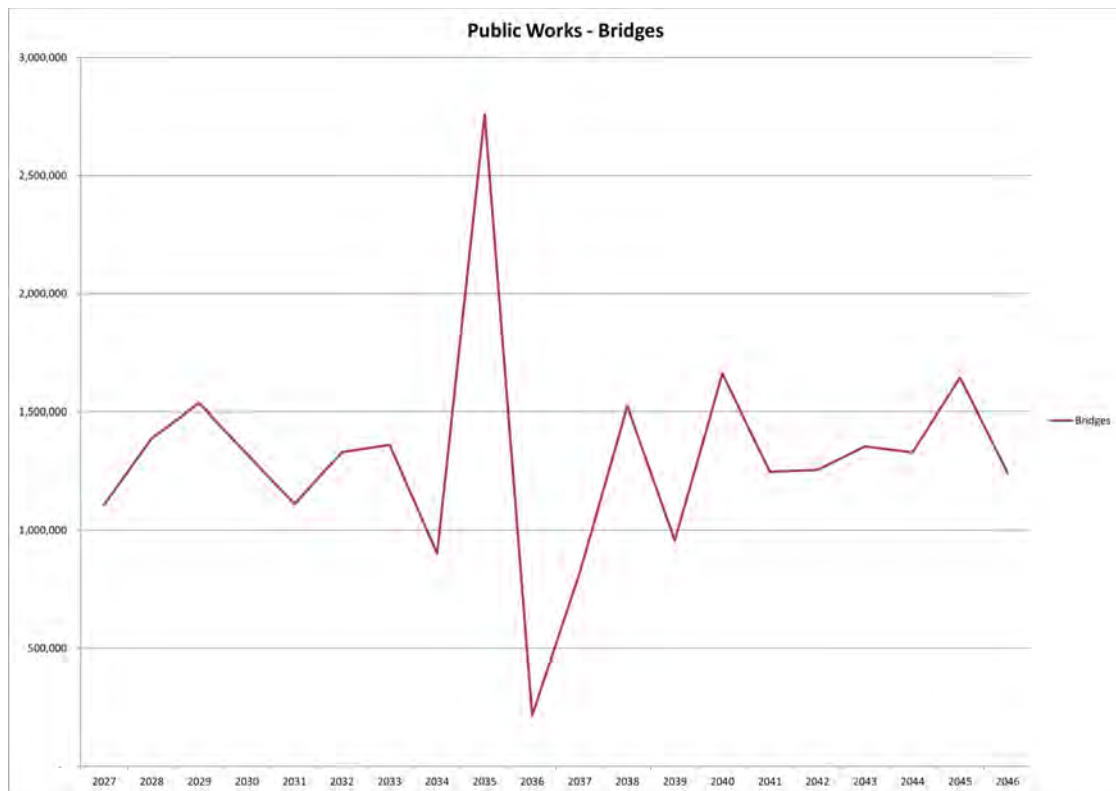
Note: A new administration building is projected to be required in 2028. This will be re-evaluated annually.



## CAPITAL PLAN - continued



## CAPITAL PLAN - continued



A large number of roads are expected to require construction or reconstruction in 2030, including higher cost oiled roads (higher cost than gravel roads).









## CONTACT INFORMATION

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