
2010 BUDGET BRIEFING NOTE

Economic Factors

Issue/Background:

This briefing note outlines the economic factors utilized in development of the 2010 Operating Budget.

The 2010 Operating Budget was developed based on the assumption that services and service levels approved in 2009 should be maintained. Based on this premise, a key element of the 2010 budget process was to determine economic factors that should be applied against 2009 expenditures in order to estimate the 2010 cost of continuing to provide the prior year approved services and service levels.

In order to provide key services to Toronto residents, the City consumes a wide range of commodities that have varying economic factors. Since the inflationary factors for some goods and services are more volatile than others, a single rate of inflation cannot be applied to all commodities purchased by the City. As a result, the City uses a commodity-specific price schedule that more accurately reflects the changing prices of specific goods and services that it consumes.

Key Points:

- The economic factors used in producing the 2010 Recommended Operating Base Budget are listed in Table 1 below.
- Contracts with fixed prices over their term are not adjusted for inflation. Where the contract specifies the 2010 price or a specific escalation clause, such expenditures are adjusted to reflect that specified increase in the 2010 budget.
- The economic factors in the initial 2010 Operating Base Budget Submissions from City Programs, Agencies, Boards and Commissions were adjusted during the operating budget review process in order to reflect more current forecasts.
- To achieve the 2010 Operating Budget reduction target most City Programs and ABCs absorbed inflationary increases, which significantly reduced or entirely removed the economic factor impacts and flat lined 2010 budgets to 2009 funding levels. The 2010 Recommended Operating Budget reflects savings of \$23.222 million as a result of the expenditure constraint measure.
- The Financial Planning Division will continue to monitor all economic factors throughout 2010 and will recommend appropriate adjustments, if warranted.

The general consensus of the major Canadian Banks and the Conference Board of Canada at the time of developing the Operating Budget set the general / core CPI at 1.5%. However, the basket of goods and services used by municipal government in general and the City of Toronto in particular (as listed in Table 1 below), would generate a different general inflation rate.

Table 1 2010 Operating Budget Economic Factors	
Cost of Living Allowance (COLA) - Union	2.0%
COLA - Non-Union	1.0%
Printing & Paper Products	2.0%
Food	2.2%
Hydro (General)	2.0%
Hydro (Signal Lights)	4.0%
ABCDs Solid Waste Collection Rates	2.0%
Gas	0.0%
	\$1.01 per litre
Diesel	0.0%
	\$1.01 per litre
Natural Gas	0.0%
Water	9.0%
Chilled Water	2.0%
Postage	5.6%
Telephone	1.0%
Building/Trade Materials / Tools & Equipment	2.0%
Salt	7.0%
Medical Supplies	3.0%
Contracted Services	Per contract
General (Core CPI)	1.5%

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