
2008 BUDGET BRIEFING NOTE

Economic Factors

Issue/Background:

This briefing note outlines the economic (inflationary) factors utilized in the development of the 2008 Operating Budget.

The 2008 operating budget was developed based on the assumption that services and service levels approved in 2007 should be maintained. Based on this premise, a key element of the budget process was to determine economic factors that should be applied against 2007 expenditures in order to estimate the 2008 cost of continuing to provide the prior year approved services and service levels.

The City consumes a wide range of commodities with varying inflationary impacts to provide its services. Therefore, a single rate of inflation cannot be applied to all commodities consumed by the City. Some goods and services are more volatile than others, as is the case with gas and oil products. As a result, the City uses a commodity specific price schedule that is more reflective of the behaviour of specific goods and services on which it spends substantive amounts.

Key Points:

- The economic factors used in producing the 2008 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 2008 price, such expenditures are adjusted to reflect the contracted price in the 2008 budget.
- TTC signed a favourable contract for Diesel at \$0.8457 per litre, resulting in a price decrease of 1.2% compared to 2007.
- The contract for bulk common rock salt for 2007 to 2008 includes a 5% escalation increase.
- The Financial Planning Division will continue to monitor all economic factors throughout 2008 and will recommend appropriate adjustments, if warranted.

Table 1 2008 Operating Budget Economic Factors	
Salaries & Benefits	2.4%
Printing & Paper Products	0.0%
Food	4.4%
Hydro	3.0%
Steam Heating	4.0%
Gas	3.0%
Diesel - TTC	(1.2%)
Diesel - Other	3.0%
Natural Gas	0.0%
Water	9.0%
Postage	1.9%
Telephone	2.3%
Aggregates - Bldg/Trade Mat.	5.0%
Salt	5.0%
Medical Supplies	5.0%
Contracted Services	Per contract
General (Core CPI)	2.3%

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