
2009 BUDGET BRIEFING NOTE

Economic Factors

Issue/Background:

This briefing note outlines the economic (inflationary) factors utilized in development of the 2009 Operating Budget.

The 2009 Operating budget was developed based on the assumption that services and service levels approved in 2008 should be maintained. Based on this premise, a key element of the budget process was to determine economic factors that should be applied against 2008 expenditures in order to estimate the 2009 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 2009 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 2009 price or specific escalation clause, such expenditures are adjusted to reflect that specified increase in the 2009 budget.
- The economic factors in the initial 2009 Operating Base Budget Submissions from City Programs, Agencies, Boards and Commissions were adjusted during the Administrative Review in order to reflect more current forecasts. Diesel and gasoline price forecasts were reduced from \$1.45 and \$1.35 per litre respectively, to \$1.01 per litre for both – the same price as in 2008, resulting in a downward revision of estimates totaling \$ 2.758 million across the City.
- To get to the 2009 Operating Budget target of -2% most City Programs and ABCs absorbed inflationary increases, significantly reducing or entirely removing the economic factor impacts, flat lining 2009 budgets to 2008 funding levels. The 2009 Recommended Operating Budget reflects savings of \$6.501 million (excluding fuel) as a result of the expenditure constraint measure.

- The Financial Planning Division will continue to monitor all economic factors throughout 2009 and will recommend appropriate adjustments, if warranted.

Table 1 2009 Operating Budget Economic Factors	
Printing & Paper Products	5.0%
Food	3.2%
Hydro (General)	3.0%
Hydro (Signal Lights)	4.5%
Steam Heating	10.0%
Gas	0.0% \$1.01 per litre
Diesel	0.0% \$1.01 per litre
Natural Gas	2.0%
Water	9.0%
Postage	3.9%
Telephone	2.0%
Aggregates - Bldg/Trade Mat.	6.0%
Salt	10.0%
Medical Supplies	4.0%
Contracted Services	Per contract
General (Core CPI)	2.0%

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