

2007 BUDGET BRIEFING NOTE

Economic Factors

Issue/Background:

This briefing note outlines the economic (inflationary) factors utilized in the development of the 2007 Operating budget.

The City's budget process focuses on maintaining prior year approved services and service levels. A key element of the City's budget process is researching private sector forecasts on price changes for relevant commodities on which the City spends substantively, and selecting economic factors to apply against prior year base budget expenditures. In so doing, Program staff budget for current services and service levels using the following year's inflation-adjusted prices.

Key Points:

- The economic factors used in producing the 2007 Recommended Operating Base Budget are listed in Table 1 below:

Table 1 2007 Operating Budget Economic Factors	
Salaries & Benefits	3.25%
Printing & Paper Products	2.5%
Food	2.1%
Hydro (General)	9.7%
Hydro (Streetlighting)	2.2%
Gas	15.3%
Steam Heating	0.0%
Diesel - TTC	13.5%
Diesel - Other	0.0%
Natural Gas	0.0%
Water	9.0%
Postage	2.0%
Telephone	0.0%
Aggregates - Bldg/Trade Mat.	5.0%
Salt	5.0%
Medical Supplies	3.0%
Contracted Services	Per contract

- Contracts with fixed prices over their term are not adjusted for inflation. Where the price schedule specifies the 2007 contract price, such expenditures are specifically adjusted to reflect the contracted price in the 2007 budget.
- TTC has a fixed rate long term contract for Diesel from April 2006 until December 2007. No tender has been issued yet for 2008.
- The contract for bulk common rock salt for 2007 to 2008 includes 5% inflation.
- The Financial Planning Division will continue to monitor all economic factors throughout 2007 and will recommend appropriate adjustments, if warranted.
 - the inflation factor for Hydro has already been adjusted downward to 9.7% from 12.5%.

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