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## 2012 OPERATING BUDGET BRIEFING NOTE

### Economic Factors

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#### Issue/Background:

This briefing note outlines the economic factors utilized in development of the 2012 Operating Budget.

The 2012 Operating Budget was developed on the basis of services and service levels approved in 2011 that form the starting point for 2012 budget preparation. Based on this approach, a key element of the 2012 budget process is to determine economic factors that should be applied against 2011 Approved Budget expenditures in order to estimate the 2012 cost of providing the previous year approved services and service levels.

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 variety of standard commodity-specific inflationary price factors that more accurately reflect the changing prices of specific goods and services that it consumes.

#### Key Points:

- The economic factors used in producing the 2012 Recommended Operating Base Budget are listed in Table 1 below.
- Contracts with fixed prices over their term are not adjusted for inflation and are budgeted at the tendered contract prices. Where the contract specifies the 2012 price or a specific escalation clause, such expenditures are adjusted to reflect that specified increase in the 2012 budget.
- The economic factors for gas and diesel from the initial 2012 Operating Base Budget Submissions from City Programs and Agencies were adjusted during the operating budget review process to more accurately reflect current forecasts and were decreased from \$1.35 per litre to \$1.20 per litre.
- The Financial Planning Division will continue to monitor all economic factors throughout 2012 and will recommend appropriate adjustments, if warranted.

<b>Table 1 2012 Operating Budget Economic Factors</b>	
Printing and Paper Products	1.5%
Food	2.2%
Hydro (General)	3.0%
Hydro (Signals and Lights)	11.0%
Gas	(11.1%) \$1.20 per litre
Diesel	(11.1%) \$1.20 per litre
Natural Gas	0.0%
Steam Heating	3.0%
Water	9.0%
Chilled Water	2.5%
Postage	3.4%
Telephone	0.0%
Building/Materials/Tools and Equipment	3.3%
Salt	15.0%
Medical Supplies	2.7%
Contracted Services	Per Contract
General (Core CPI)	2.1%

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