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2014 OPERATING BUDGET BRIEFING NOTE

Economic Factors

Issue/Background:

This briefing note outlines the economic factors or inflationary increases utilized in the development of the multi-year 2014 Operating Budget and 2015 and 2016 Plans.

The 2014 Operating Budget was developed on the basis of services and service levels approved by City Council in January 2013 that form the starting point for 2014 budget preparation. Based on this approach, a key element of the 2014 budget process is to determine economic factors that should be applied against 2013 Approved Budget expenditures in order to estimate the 2014 cost of providing the previous year's 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 2014 Recommended Operating Base Budget and the 2015 and 2016 Plans are listed in Appendix 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 2014 price or a specific escalation clause, such expenditures are adjusted to reflect that specified increase in the 2014 Recommended Operating Budget.
- The Financial Planning Division will continue to monitor all economic factors throughout the 2014 Budget process and will recommend appropriate adjustments, if warranted.

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Appendix 1 2014 Operating Budget Economic Factors				
Expenditure Cost Elements	Expenditures Description	Budget 2014	Plan 2015	Plan 2016
1711	Comprehensive Medical - Non-union - family	\$4,100	\$4,285	\$4,478
1711	Comprehensive Medical - Non-union - single	\$1,662	\$1,737	\$1,815
1711	Comprehensive Medical - Fire - family	\$4,237	\$4,427	\$4,627
1711	Comprehensive Medical - Fire - single	\$2,034	\$2,126	\$2,221
1711	Comprehensive Medical - Local 416 - family	\$4,119	\$4,304	\$4,498
1711	Comprehensive Medical - Local 416 - single	\$1,758	\$1,837	\$1,919
1711	Comprehensive Medical - Local 79 - family	\$4,629	\$4,837	\$5,055
1711	Comprehensive Medical - Local 79 - single	\$1,874	\$1,959	\$2,047
1711	Comprehensive Medical - Council - family	\$4,100	\$4,285	\$4,478
1711	Comprehensive Medical - Council - single	\$1,662	\$1,737	\$1,815
1712	Dental - Non-union - family	\$2,326	\$2,431	\$2,540
1712	Dental - Non-union - single	\$870	\$909	\$950
1712	Dental - Fire - family	\$2,077	\$2,171	\$2,269
1712	Dental - Fire - single	\$956	\$999	\$1,044
1712	Dental - Local 416 - family	\$2,146	\$2,242	\$2,343
1712	Dental - Local 416 - single	\$837	\$875	\$914
1712	Dental - Local 79 - family	\$2,165	\$2,263	\$2,364
1712	Dental - Local 79 - single	\$823	\$860	\$898
1712	Dental - Council - family	\$2,326	\$2,431	\$2,540
1712	Dental - Council - single	\$870	\$909	\$950
1720	Long Term Disability	3.33% of salaries	3.33% of salaries	3.33% of salaries
1730	Group Life	\$.290 / thousand	\$.290 / thousand	\$.290 / thousand
1740	Employment Insurance Benefits	1.267% of salaries	1.267% of salaries	1.267% of salaries
1750	Employer Health Tax	1.95% of salaries	1.95% of salaries	1.95% of salaries
1760	Canada Pension Plan	4.95% of salaries	4.95% of salaries	4.95% of salaries
1770	Pension - OM60	15.9% of salaries	15.9% of salaries	15.9% of salaries
1770	Pension - OM65	14.6% of salaries	14.6% of salaries	14.6% of salaries
COLA	COLA for all City Employees, excluding Toronto Fire	1.75%	2.25%	n/a
Merit	Merit	2.20%	2.20%	2.20%
2010-2099	Printing & Paper Products	1.30%	1.50%	1.40%
2740-2755	Food	2.10%	2.10%	2.10%
2215	Hydro (General)	5.40%	6.00%	6.00%
2215	Hydro - Signals & Lights	3.90%	3.90%	3.90%
2260	Gas	1.25 per litre or 0%	1.25 per litre or 0%	1.25 per litre or 0%
2280-2281	Diesel	1.25 per litre or 0%	1.25 per litre or 0%	1.25 per litre or 0%
2230	Natural Gas	1.30%	2.50%	2.00%
2220	Steam Heating	(6.00%)	0.00%	2.00%
2250	Water	9.00%	3.60%	3.00%
2251	Chilled Water	2.20%	2.10%	2.00%
4805	Postage	3.00%	3.00%	3.00%
4810 & 4811	Telephone / Cellular	0.00%	0.00%	0.00%
2770-2785	Bldg / Trade Materials / Tools & Equipment	2.80%	2.70%	2.60%
2410	Salt	3.90%	3.91%	4.00%
2820-2980	Medical Supplies	2.70%	2.60%	2.50%
	Contracted Services*			
2000-4999 (excluding cost elements)	CPI - General	2.20%	2.10%	2.00%

* Contracts with fixed prices over their term are not adjusted for inflation. Where the price schedule specifies the 2014, 2015 and 2016 contract price such prices should be included at the price approved in the tender.