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2017 OPERATING BUDGET BRIEFING NOTE

Economic Factors

Issue/Background:

- This briefing note outlines the economic factors or inflationary percentage increases utilized in the development of the multi-year 2017 Preliminary Operating Budget and 2018 and 2019 Plans.
- The 2017 Preliminary Operating Budget was developed on the basis of services and service levels approved by City Council in the prior year that form the starting point for 2017 budget preparation. Based on this approach, a key element of the 2017 budget process is to determine economic factors that should be applied against 2016 Approved Budget expenditures in order to estimate the 2017 cost of providing the previous year's approved services and service levels.
- The City consumes a wide range of commodities that have varying inflationary estimated increases. 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 2017 Preliminary Operating Base Budget and the 2017 and 2018 Plans are listed in Appendix 1 below.
- The 2016 Approved Budget was adjusted based on corporate assumptions to account for inflationary impacts for specific expenditures only. These included hydro (general), gas, diesel, steam heating, natural gas, water and chilled water, and salary and benefits.
- Economic factors were then adjusted by each City Program and Agency to reflect their specific requirements. As City Council adopted an across the board budget reduction target of -2.6 percent net below the 2016 Approved Net Operating Budget, most City Programs and Agencies absorbed any inflationary cost pressures by means of aligning expenditures with actual experience or savings from efficiency measures.
- The economic factors are also used to guide the budgeted user fee inflationary increases. As per Council's approved User Fee Policy user fee inflationary increases are based on the

specific basket of goods or services consumed by the delivery of the services. The detailed user fee rate increases can be found in the briefing note "Changes to Existing User Fees and New User Fees in the 2017 Preliminary Operating Budget".

- 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 2017 price or a specific escalation clause, such expenditures are adjusted to reflect that specified increase in the 2017 Operating Budget.

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Appendix 1 2017 Preliminary Operating Budget - Economic Factors

Expenditure Cost Elements (\$000's)	Expenditures Description	Budget 2017	Outlook 2018	Outlook 2019
1711	Comprehensive Medical - Non-union - family	\$3,972	\$4,250	\$4,548
1711	Comprehensive Medical - Non-union - single	\$1,610	\$1,723	\$1,844
1711	Comprehensive Medical - Fire - family	\$4,445	\$4,756	\$5,089
1711	Comprehensive Medical - Fire - single	\$2,134	\$2,284	\$2,444
1711	Comprehensive Medical - Local 416 - family	\$4,189	\$4,482	\$4,796
1711	Comprehensive Medical - Local 416 - single	\$1,787	\$1,912	\$2,046
1711	Comprehensive Medical - Local 79 - family	\$4,539	\$4,857	\$5,197
1711	Comprehensive Medical - Local 79 - single	\$1,838	\$1,967	\$2,104
1711	Comprehensive Medical - Council - family	\$3,972	\$4,250	\$4,548
1711	Comprehensive Medical - Council - single	\$1,610	\$1,723	\$1,844
1712	Dental - Non-union - family	\$2,259	\$2,372	\$2,491
1712	Dental - Non-union - single	\$846	\$888	\$932
1712	Dental - Fire - family	\$2,086	\$2,191	\$2,300
1712	Dental - Fire - single	\$960	\$1,008	\$1,058
1712	Dental - Local 416 - family	\$2,042	\$2,144	\$2,251
1712	Dental - Local 416 - single	\$797	\$837	\$878
1712	Dental - Local 79 - family	\$2,089	\$2,194	\$2,303
1712	Dental - Local 79 - single	\$794	\$833	\$875
1712	Dental - Council - family	\$2,259	\$2,372	\$2,491
1712	Dental - Council - single	\$846	\$888	\$932
1720	Long Term Disability	4.040% of 70% of salary = 2.828% of annual salary		
1730	Group Life	0.029% of 2x salary x 12 months = 0.696% of annual salary		
1730	Group Life - Part-Time B	0.029% of max \$3,000 x 12 months = 0.348% of \$3,000 annually		
1730	Group Life - LTC Part-Time	0.029% of max \$20,000 x 12 months = 0.348% of \$20,000 annually		
1730	Accidental Death and Dismemberment (ADD)	\$0.0021% * 2x salary * 12 months = 0.050% of annual salary		
1730	In-Line of Duty Coverage Fire	0.0081% of 3x salary x12 = 0.292% annually		
1740	Employment Insurance Benefits - Sick Pay Plan	\$1,268	\$1,300	\$1,332
1740	Employment Insurance Benefits - STD / IIP	\$1,185	\$1,209	\$1,233
1740	Employment Insurance Benefits - No Sick Plan	\$1,372	\$1,408	\$1,444
1750	Employer Health Tax	1.95% of annual salary		
1760	Canada Pension Plan	\$2,610	\$2,676	\$2,744
1770	Pension - OM60 - Fire	9.2% of annual salary up to \$56,141	9.2% of annual salary up to \$57,433	9.2% of annual salary up to \$58,755
		15.8% above \$56,141	15.8% above \$57,433	15.8% above \$58,755
1770	Pension - OM65 - All except Fire	9.0% of annual salary up to \$56,141	9.0% of annual salary up to \$57,433	9.0% of annual salary up to \$58,755
		14.6% above \$56,141	14.6% above \$57,433	14.6% above \$58,755
1250	Vacation Pay - Part-Time B	6% annually		
1150	Vacation Pay - Rec W	5% annually		
1250	Vacation Pay - LTC Part-Time	7% annually		
1450	Vacation Pay - Trades	5% annually		
1842	Allowance - Uniform Cleaning	\$350 annually		
1843	Allowance - Tool	\$750 annually		
4768	Allowance - Clothing	\$150 annually		
1852	Fringe - Trade	39.2% annually		
1850	Fringe - Part Time B	16.6% annually		
1849	Fringe - Rec W	9.47% annually		
1850	Fringe - LTC Part-Time	21.1% annually		
COLA	COLA - Non-Union Employees	1.25% annually		
COLA	COLA - L416/79, Trades, Rec W	1.00% annually		
COLA	COLA - Fire	TBD		
COLA	COLA - LTCHS Part-Time	TBD		
Progression Pay	Progression Pay	2.65% annually		
2010-2099	Printing & Paper Products	1.00%	0.90%	0.85%
2215	Utilities - Hydro (General)	7.00%	3.00%	6.00%
2215	Utilities - Hydro (Signals & Lights)	9.00%	6.00%	9.00%
2220	Utilities - Steam Heating	3.00% annually		
2230	Utilities - Natural Gas	10.00%	3.00%	3.00%
2250	Utilities - Water	5.00%	5.00%	3.00%
2251	Utilities - Chilled Water	2.10% annually		
2260	Gasoline	1.04 per litre or 0%	1.07 per litre or 2.9%	1.10 per litre or 2.8%
2280-2281	Diesel	1.04 per litre or 0%	1.07 per litre or 2.9%	1.10 per litre or 2.8%
2740-2755	Food	2.30% annually		
4805	Postage	0.00%		
4810	Telephone	0.00%		
4811	Cellular	0.00%		
2770-2785	Bldg / Trade Materials / Tools & Equipment	2.10% annually		
2410	Salt	0.19%	0.39%	1.09%
2820-2980	Medical Supplies	2.00%	1.97%	2.26%
	Contracted Services*	See below		
	CPI - General	2.00%	1.97%	2.26%

* Note: Contracts with fixed prices over their term are not adjusted for inflation. Where the price schedule specifies the 2017, 2018 and 2019 contract prices, such prices should be included at the prices approved in the tender.