



Report to Committee of the Whole

To: Mayor Linton and Members of Council

Report: COR2021-64

Prepared By: Dan Wilson, Managing Director of
Corporate Services & Treasurer

Date: 04 Oct 2021

RE: Update on Operating and Capital Inflation

Summary:

This report provides an update to Council on the inflation discussion that occurred during the June 2021 pre-budget meeting.

Report:

Attachment A to this report outlines historical changes in the Consumer Price Index (CPI) and Non-Residential Building Construction Price Index (NRBCPI). CPI traditionally outlines the increase in costs determined to be more operational in nature. NRBCPI outlines the increase in costs that are more capital in nature. NRBCPI is used by municipalities in Ontario to index development charge fees on an annual basis.

Attachment A illustrates the current year over year increase for CPI of 4.0% (this was 3.3% when reported in June), implying that operating related costs incurred now would cost 4.0% more than a year ago. Similarly for NRBCPI, the year over year change of 7.7% (this was 3.1% in June) implies that capital costs incurred now would cost 7.7% more than a year ago.

The Township's tax supported operating budget includes costs that are operating in nature (most costs), costs that are capital in nature (such as transfers to capital reserves), and costs that are not impacted by inflation (such as debt payments).

As shown in Attachment A, the calculated weighted index for tax supported operating budget purposes is 5.0% (this was 3.2% in June). This indicates that, in the absence of growth, the Township's 2022 tax supported operating budget would have to increase by 5.0% in order to maintain 2021 spending levels.

This is a high level analysis, as the Township does have costs deemed operating in nature that change at rates much different than CPI, such as insurance fees. Also, staff's approach in establishing the draft Capital Budget is to have detailed estimates completed on most significant capital projects for 2022, ensuring that cost projections are more accurate and based on market values.

During the June Pre-Budget meeting, Council approved direction for staff to prepare a 2022 Budget with a tax rate increase of 2.4% or less. With the current weighted index calculated at 5.0%, a gap of 2.6% exists between the approved tax rate increase and current inflation rates.

Further information will be provided to Council on inflationary changes as the 2022 Budget timeline progresses.

Corporate Strategic Plan:

Good Financial Management

Financial Implications:

Higher inflationary impacts results in more pressure applied to departmental budgets in attempting to maintain existing service levels.

Attachments:

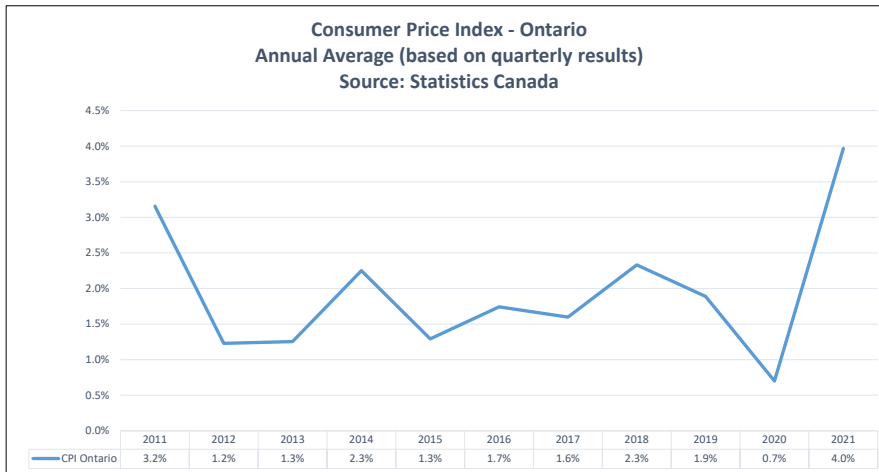
- [Attachment A - CPI & NRBCPI - Historical Graphs](#)

Approved By:

Andy Goldie, Chief Administrative Officer

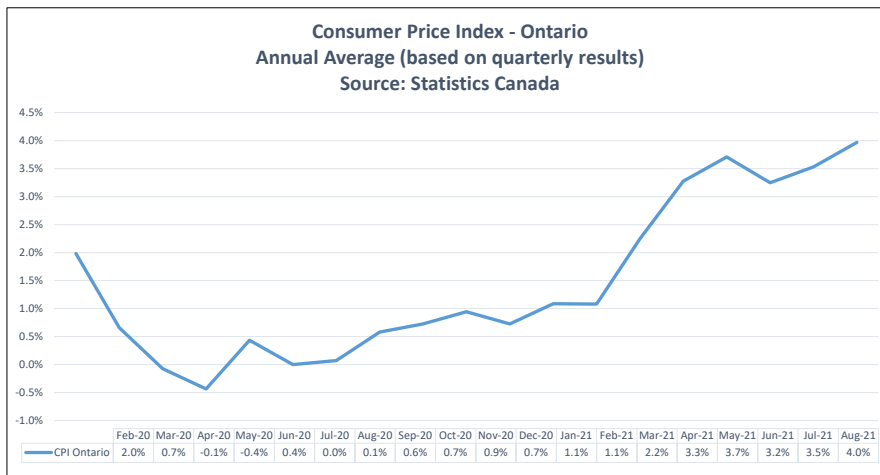
Attachment A - Inflation Tables

Graph 1: Year Over Year Change in CPI Annually

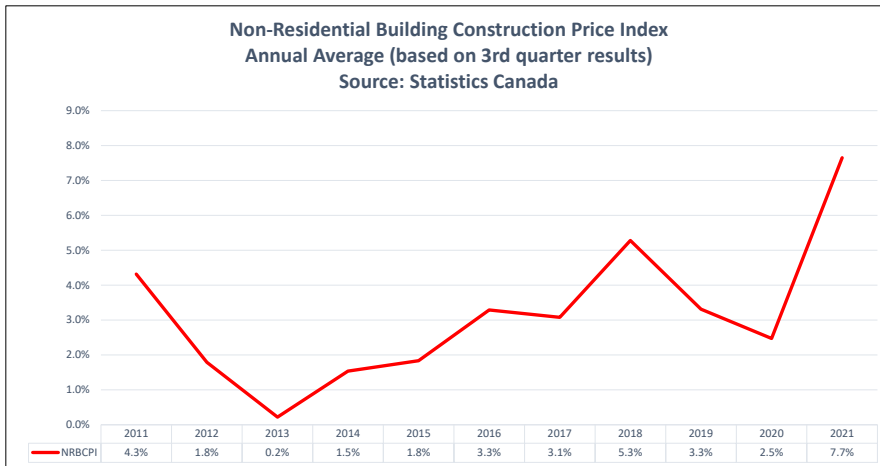


* 2021 CPI Year Over Year at August 2021

Graph 2: Year Over Year Change in CPI Monthly



Graph 3: Year Over Year Change in NRBCPI Annually



* 2021 NRBCPI Year Over Year at April 2021

Table 1: Township Weighted Budget Index

Based on Graph Data

Description	2021 Net Expenditures	Inflation Factor
Operating Costs	\$ 19,923,375	4.0%
Capital Transfers-Internal	4,165,441	7.7%
Capital Transfers-External	3,915,641	7.7%
Debt Payments (net)	417,059	0.0%
Total Net Expenditures	\$ 28,421,516	5.0%

June Pre-Budget Direction on Taxation Increase	2.4%
Difference / Gap	-2.6%