

# Intelligence MEMOS



From: William B.P. Robson and Farah Omran  
To: Canada's Municipal Councillors  
Date: January 27, 2020  
Re: **BUDGET NUMBERS IN CANADIAN CITIES – PROGRESS AND HURDLES**

In most Canadian municipalities, January 1 marked the start of the fiscal year. If you are on the council of a crisply run city, you voted on your 2020 budget before the end of 2019. If you are on the council of a middling city, you voted on your 2020 budget since then. If you are on the council of a laggard, you will vote on your 2020 budget later this winter.

Whatever the timing, far too many of you are getting budget numbers in 2020 that do not match what your municipality publishes in its audited financial statements after year-end. You cannot compare planned revenues or expenses to what happened in 2018 or was estimated for 2019. And when you get the results for 2020 after year-end, you will find it challenging to compare those results to the budget plan, because the budget didn't contain the numbers that would let you make those comparisons yourself.

Our [2019 report card](#) on the financial transparency of 31 major Canadian municipalities revealed that the majority do not follow public sector accounting standards (PSAS) in their budgets. This despite the fact that the standards apply to all governments in Canada, and that all 31 cities do follow them when they report their results after year-end.

For outsiders to municipal budgeting, this looks weird. Imagine setting a household budget for the coming year adding things differently than you do when looking at the past. Imagine an operation where management presents a budget with different rules for when to record receipts and outlays than it uses presenting its results. Hardly anyone would try that. Yet this is exactly what happens in most cities.

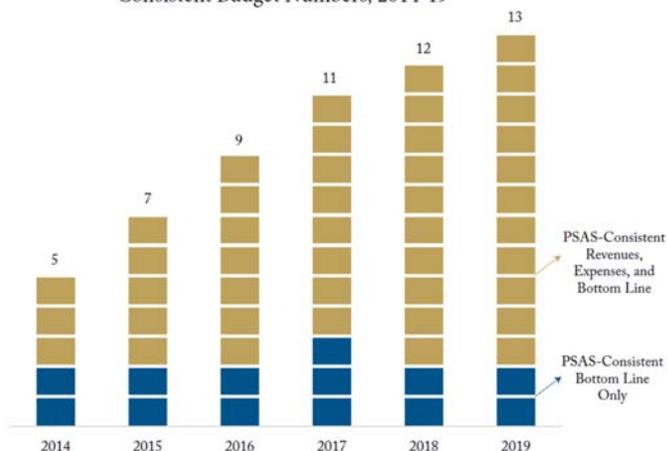
The reactions to our report from staff in many municipalities tell us that insiders to municipal budgeting do not think this is weird. All municipalities follow PSAS in their financial statements, and many municipal financial documents explain why PSAS – especially amortizing long-lived infrastructure over its lifetime rather than showing a honking cash outlay – make more sense. Yet we hear that budgets should not follow those standards. Among the more frequent claims:

- Accounting does not matter.
- Amortizing capital in budgets would tempt councillors to spend more.
- They have no choice: the province prevents them.
- Moving to PSAS-based budgets would be too much work.
- We have always done it this way.

In response, we say:

- Accounting does matter – it frames choices for elected representatives and staff alike.
- Amortizing capital in budgets provides a better picture of the municipality's long-term financial health and its capacity to deliver services. Moreover, councils should probably spend more on much needed infrastructure. Instead, cities today have substantially high levels of financial assets and cash.
- Provinces do not forbid municipalities showing PSAS-consistent numbers in their budgets. Many municipalities do present them.
- You already produce PSAS-consistent budget numbers in your financial statements – you just have to produce them sooner.
- You should stop. It is time for something different, and better.

Number of Municipalities Presenting PSAS-Consistent Budget Numbers, 2014-19



Happily, and importantly, more cities appear to be presenting their councillors with useful, PSAS-consistent, budget information (see Figure). In 2014, only five of the 31 municipalities in our survey showed PSAS-consistent budget numbers, and only three of those – Markham and York in Ontario, and Surrey in British Columbia – showed more than the projected bottom line. By 2019, 13 of the 31 showed PSAS-consistent budget numbers, and 11 of them – with Peel, Vaughan, Toronto, Mississauga and Brampton in Ontario, and Richmond, Burnaby, Vancouver in British Columbia joining Markham, York and Surrey in the top category – showed more than the bottom line. (Durham and Niagara in Ontario have shown only the bottom line throughout.)

More of Canada's municipal councillors are getting more of the numbers they need to make better budgeting decisions. Are you? If you are not, you should insist on it. Canada's municipalities are gradually raising the quality of the numbers they provide elected officials. If yours is not yet among them, you have work to do.

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