

# Intelligence MEMOS



From: William B.P. Robson  
To: Toronto Taxpayers  
Date: March 14, 2019  
Re: **TORONTO'S FARCICAL BUDGET CYCLE – AROUND WE GO AGAIN**

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Last week's fanfare about Toronto's council passing the city's 2019 budget was farcical on several levels. One – perhaps too obvious to attract much comment – was that it happened in March: with two months of the year already past, the city has already raised and spent billions of dollars. A second piece of weirdness was that, after much fuss and grandstanding about tax hikes and service cuts to balance everything, council apparently approved a budget with a \$79 million hole – to be filled later, somehow. That did get some attention.

A third absurd element, which sadly got little notice, was that Toronto taxpayers, residents and voters cannot see the fiscal plan that supposedly just got passed. Plug “Toronto city budget 2019” into your favourite search engine, and you will find nothing except a news release referring to an “operating budget of \$13.47 billion and a 10-year capital budget and plan of \$40.67 billion” – two numbers that aren't remotely comparable. No total for annual revenue, no total for annual expense, and nothing about the anticipated bottom line and its impact on Toronto's financial soundness. (I recently [discussed](#) this in a radio interview.)

The fact that the city council just voted something they called a “budget” without the most basic elements of an actual budget – revenue, expense, and the planned bottom-line result – is not just an affront to accountability. On a fundamental level, council does not know what it is doing. For proof of that, type “Toronto financial statements” or “Toronto annual report” for 2017 into that search engine. You will immediately find a normal, easy-to-read statement of the city's financial results. And those results are entirely different from those thrown around in the budget debate.

The 2017 budget exercise was just as fraught as its 2019 counterpart – the fuss and grandstanding about tax hikes and service cuts to balance the budget is an annual ritual. Yet the results for 2017 show a surplus of more than \$1.2 billion. Just as, notwithstanding the fuss and grandstanding the year before, the 2016 results showed a surplus of \$1.2 billion. Indeed, Toronto has run consistent surpluses for decades. Unlike the federal and provincial governments with their huge debts, Toronto's accumulated surplus at the end of 2017 stood at almost \$24 billion.

Toronto's 2017 financial statements also contain a surprise that is key to understanding how farcical the annual budget debate is. As good financial statements should, they show a comparison to the 2017 budget. But to produce budget numbers they could compare to the results, city accountants had to undertake some radical restatements. These show that the budget council approved that year implied a surplus of almost \$900 million. A “Budget Summary” (944 pages long) published last September showed a similar restatement of the 2018 budget. The anticipated bottom line: a surplus of nearly \$1.4 billion! When the city publishes its 2018 results this summer, they will show another large surplus. And when 2019 is over and the results are in, we can safely predict a bottom line that is comfortably – even excessively – in the black.

The most nonsensical element in the annual budget cycle in Toronto – and, indeed, [in most of Canada's major cities](#) – is that city council does not know what it just approved. Neither do the city's residents and taxpayers. If they had received a proper accounting of Toronto's current and planned revenue and expenses, the budget debate would have been completely different: less fuss and grandstanding about an alleged \$79 million hole, and more clear-headed conversations about the city's long-term capacity to deliver current services and accelerate the building and repair of its critical infrastructure.

The 2019 budget cycle is over. It is time to look ahead. Toronto city council should approve the city's 2020 budget before the year begins, and that budget should contain the real fiscal plan. Let's make this the final roundup for the annual budget farce.

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