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Puzzling Plans and Surprise Surpluses: Canada's Cities Need More Transparent Budgets

The budgets of most big Canadian cities provide councillors, ratepayers and voters less insight about their city's spending plans and financial condition than they should. A typical reader would conclude that Canada's biggest cities missed their spending targets by almost 8 percent annually since 2010. Another surprise for most Canadians would be that their cities typically run substantial surpluses. More informative budgets would improve accountability and foster smarter municipal financial management.

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THE STUDY IN BRIEF

Canada's municipalities deliver services that are critical to their citizens' quality of life. Those services require revenue from taxes, fees and transfers from other governments. Yet municipal budgeting is opaque: in most of Canada's major cities, non-experts cannot make the simplest comparisons of projections to past results, or results to past projections. Canada's cities went into the troubles of 2020 in much better fiscal shape than is commonly appreciated, and better understanding of their finances could facilitate more infrastructure investments and, perhaps, mitigate future tax increases.

This *Commentary* looks at the annual budgetary projections for spending and the bottom line (revenues minus expenses) in 31 of Canada's largest municipalities over a decade (2010 to 2019) and compares them to the results reported in those municipalities' year-end financial statements. Its goal is to compare what a councillor, taxpayer or citizen – a person who is motivated and numerate, but non-expert – would infer from each budget to the year-end results.

In most of these 31 municipalities, simply finding informative numbers about spending plans is tough. Less than one-half of them produce budget documents with numbers presented on the same basis – using public sector accounting standards (PSAS) – as the presentation in their year-end financial statements. Readers of non-PSAS budgets who compared spending plans to the expenses reported after year-end would typically conclude that the budget projections were badly at variance with the results – with a difference averaging 7.6 percent annually over the 10 years. In most cities, presenting budgets with non-PSAS accounting is a major contributor to these discrepancies. Critically, such municipal budgets show investments in capital assets like buildings, sewers and transit on a cash, upfront basis while the financial statements amortize the cost over years. Comparing budgets on a PSAS basis to results yields an average annual gap between plans and outcomes that is considerably smaller: 3.8 percent.

With respect to the bottom line, budget debates in most municipalities emphasize the need to balance the operating budget and downplay the separate capital budget. PSAS does not separate “operating” and “capital” – accrual accounting writes capital down (amortizes it) as it delivers its services and produces a single statement of revenue and expense with a bottom line that represents a change in a government's net worth and, therefore, capacity to deliver services. A city's “operating” balance is nevertheless a dominant focus at budget time, culminating in council voting on a budget with a bottom line very close to zero. Where this occurs, the revelation of substantial surpluses in the year-end financial statements is completely at variance with peoples' understanding and the anxiety of the budget debate. They would also be amazed to learn that the 31 municipalities ran an aggregate budget surplus of more than \$10 billion in 2019.

A key step toward improving this situation would be for all municipalities to highlight the same PSAS-consistent revenue, expense and bottom-line numbers in their budgets that they already use in their financial statements. Other information – notably separate operating and capital budgets, with the latter prepared on an antiquated cash basis, which some provinces mandate – can still appear in budgets, but the PSAS-consistent numbers would provide a fuller picture of their municipality's activities and costs, and facilitate comparisons between budgets and results.

Councillors, ratepayers and voters should insist on better numbers from their municipalities and on the improved fiscal accountability these numbers make possible.

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Related Topics: Municipal Finance; Governance.

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Control over public money is central to a democratic government at every level: national, provincial and local.

Local governments are especially important for the services and infrastructure that affect most Canadians' daily lives, such as transit, roads and water management. Those services and infrastructure come at a cost: fees, property taxes and transfers from other levels of government for which Canadians pay, one way or another.

Ideally, municipal governments would manage their finances commensurately with the importance of their expenses and revenues and the bottom line that determines their ongoing capacity to deliver services. Sadly, however, the budgeting practices of most of Canada's major cities are needlessly confusing.

As the C.D. Howe Institute's recent report card (Robson and Wu 2021) on Canada's 31 most populous municipalities documents, most local governments present budget information that even experts find hard to reconcile with their financial results – and that would stump non-experts. In this *Commentary*, we show what numerate but non-expert users of annual budgets in these 31 municipalities would have expected with respect to spending and the bottom line over the past 10 years and compare those expectations with the results published after year-end. These users would draw two conclusions. First, cities routinely miss their budget targets by large amounts. Over the period, our 31 cities missed their spending projections, either over- or under-shooting, by 7.6 percent

on average. Second, notwithstanding the angst about balance at budget time, cities routinely record sizeable surpluses. In 2019, the 31 cities ran aggregate budget surpluses of \$10.7 billion, \$6.3 billion more than the amount a reader of their budget documents would have expected.

These figures overstate the variance between budget targets and results that users would calculate if cities presented their budgets using the same Public Sector Accounting Standards (PSAS) they employ in their financial statements. Compared to the changes a user would calculate from the PSAS-consistent budget figures in municipal financial statements, the average annual miss would be 3.8 percent, and 2019's surpluses would have been \$2.2 billion above that year's budget projections. But they are the figures that a person who is engaged and intelligent, but non-expert – a city councillor, for example – would likely calculate, and they have important implications. One is potential cynicism and disengagement on the part of taxpayers and voters who may see the budgeting exercise as misleading or irrelevant. Another is that municipalities may not be managing their finances as well as they could – notably that they collected more up-front revenue, including transfers from other governments, than they needed, and invested less in infrastructure than they could have.

More recent figures offer hope that municipal budgets will be more transparent and better guides

We thank Alexandre Laurin, members of the C.D. Howe Institute's Fiscal and Tax Competitiveness Council, and a number of other reviewers for comments on earlier drafts. This *Commentary* is the latest in a decade-long series of C.D. Howe Institute publications on municipal fiscal accountability going back to Dachis and Robson (2011). Many colleagues and reviewers provided valuable advice and feedback on those previous publications. We note particularly the comments of municipal officials, which have improved our analysis and deepened our understanding of the legal and other constraints affecting municipal budgeting. We are responsible for the conclusions and any errors in this report.

Key Concept Explainer

Cash versus Accrual Accounting: Cities' budgets typically feature a lot of cash accounting, while their financial statements use accrual accounting. Cash accounting recognizes receipts and outlays when money changes hands. Accrual accounting relates revenues and expenses to the period when the relevant activity occurs. The differences between the two are especially notable in the case of capital projects. Cash outlays for roads, for example, occur early in their lives, so cash accounting records large amounts up-front, and little or nothing later on – as though a road is gone after one use, like a cup of coffee or a payroll service. Accrual accounting recognizes the expense over the period the road is expected to deliver its services.

If all municipalities presented budgets using the same accrual accounting they use in their year-end financial statements, the numbers in the two documents would be directly comparable – a big step forward in transparency.

to future decision-making. A decade ago, none of these municipalities presented budget information consistent with PSAS; now, nearly half do. As more municipalities follow their lead, councillors and taxpayers will be able to track results against budget commitments more closely. That ability will improve accountability generally, should foster better decisions about the building and financing of municipal infrastructure, and better match the costs cities impose on their citizens with the services they provide.

MEASURING FISCAL ACCOUNTABILITY

Canadians who pay attention to debates in their municipal councils and engage with their local representatives might dispute our claim that municipal budgeting tends to be opaque. Many municipal finance officers would say their city's processes are transparent to a fault. Councillors vote on overall budgets and tax rates and scrutinize specific expenses. Council meetings feature deputations from residents. Every autumn features a debate over balancing the budget – typically featuring warnings about hikes in property

taxes and cuts in services. But the results most municipalities post after year-end are strikingly different from what their approved budgets would lead most people to expect.

The Fiscal Cycle: Budgets and Financial Statements

Like other governments and organizations, municipalities produce two key documents each year: the budgets municipal councils vote on before or shortly after the beginning of the year and the financial statements municipalities publish after the end of the year. Budgets express a city's fiscal priorities – as the pre-budget debate about revenues, expenses and the difference between them testifies. The audited financial statements are the definitive report after the year is done, prepared according to the same public sector accounting standards that apply to Canada's federal, provincial and territorial governments. Those PSAS-consistent statements show consolidated totals for the city's revenues and expenses, and the difference between them – the bottom line that indicates whether the city's net worth and its capacity to deliver services rose or fell over the year.

Ideally, a user of these documents would be able to compare revenues, expenses and bottom-line projections in a budget to year-end results. One relevant comparison is forward looking: the projections for the coming year versus the counterpart figures for the fiscal year about to end. Another is backward looking: the budget projections for the year just ended versus the results for that year in the financial statements. Users of the budgets and financial statements produced by the federal and most provincial and territorial governments can do such comparisons and draw straightforward conclusions, such as whether revenues and expenses came in above or below budget and how the bottom line compared to projections – a precondition for acting to correct large or persistent gaps between projections and results.

Obstacles to Understanding Municipal Budgets

The situation at the municipal level is different. A basic problem is that while Canada's cities report their year-end results on a PSAS-consistent basis, most cities do not present their budgets that way. PSAS, like the accounting standards that prevail in the private sector, require accrual accounting: the reporting entity should record revenues and expenses during the period when the relevant activity takes place, not when cash changes hands. While municipal budgets follow accrual accounting in some areas, such as accounts payable, they follow cash accounting for capital projects – long-lived items such as buildings, roads and water pipes – recording their costs upfront rather than expensing them over the period they will deliver services.

Accrual accounting treats the purchase of long-lived capital as an investment in an asset and

records the expense related to that asset over the period it is expected to deliver its services. The amortization period for assets such as water pipes, bridges or municipal buildings may be decades long. That approach has many virtues. Matching the recorded expense to the services provided by the assets helps ensure that the people who benefit are paying for them at the same time. It also keeps tabs on the remaining life of the assets – ideally, their recorded value will drop to zero at the point when they wear out and need replacing.

Cash accounting shows the entire outlay for anything, including long-lived capital, at the time it occurs. This approach was understandable a century ago when municipal governments were smaller and simpler, when less sophisticated revenue and borrowing tools made cash on hand salient for a government's ability to make payments, and when many concepts underlying modern accrual accounting had not yet been developed. It makes less sense today. While PSAS do not support this approach, it continues to shape municipal budgets. Most municipalities present two budgets at the beginning of the year – an operating budget and a capital budget. And the capital budget uses cash accounting.

This practice creates a fundamental problem for a user who wants to compare budgets to results. Most municipal budgets do not show a single line for total revenue or expense that is comparable to the revenue and expense totals in their financial statements. Nor do they show a bottom line comparable to the surplus or deficit that appears in the financial statements.

Differences between how most municipalities present budget information and how their financial statements report results present document users

with another fundamental challenge.¹ PSAS-based financial statements show consolidated revenue and expense using common definitions based on whether the municipality controls the activity in question. As a result, they include the revenues and expenses of municipal enterprises, pulling together activities funded by fees as well as those funded by taxes to present the municipality's total claim on resources. Many municipal budgets separate activities funded by taxes from activities funded by user fees and other non-tax revenues, and/or net the revenues of the latter against the associated expenses, providing only a partial view of the municipality's activities. This approach creates an additional discrepancy between the numbers that appear in budgets and those that appear in financial statements.

City Budgets: The Perspective of a Motivated Non-Expert

In cities that do not provide PSAS-consistent budget numbers alongside their operating and cash-based capital budgets, these discrepancies – cash-based budgets versus PSAS-consistent financial statements and budgets' exclusion of activities that appear in consolidated financial statements – will give even trained accountants trouble assessing how close a municipal government's results were to its budget projections. And most municipal councillors,

ratepayers and voters are not trained accountants. The ones who will be interested in municipal finances will typically be motivated and numerate – able to add, subtract and compare two numbers. But they will not have the expertise, time and energy – or funds for professional accountants and consultants – to decode the numbers and reconcile budgets and results.²

The confusion will likely be especially bad on the revenue side. "Capital financing" in municipal capital budgets includes all sources of funds – not only taxes, fees and grants from other governments that potentially increase the city's net worth but also funds raised by issuing debt and transfers from reserves, which do not increase net worth. Even a numerate user who encountered this nonsensical mixture would likely give up, stymied in the attempt to calculate PSAS-consistent revenue projections from a typical city budget.

The spending side of a typical city budget also presents challenges. A motivated and numerate non-expert, however, could find information that is apparently relevant. An understandable approach would be to begin at the front of the document and flip pages until she or he finds a figure identified as total spending in the operating budget and a figure identified as total spending in the capital budget. Then, being motivated and numerate but non-expert, the user would add the two, thinking the resulting total was planned spending for the

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- 1 In fact, the challenges include more than the two we list here. Key numbers are often buried deep in budget documents and may be obscurely labelled. Budgets and financial statements often appear late. Robson and Wu (2021) evaluate municipal budgets and financial statements by a number of criteria that affect their value to a user who is numerate but not an expert in accounting.
 - 2 A number of municipalities now publish supplementary budget documents that provide PSAS-consistent projections. We acknowledge this positive step, noting particularly the instances where those supplementary documents come out simultaneously with the budget itself. Nevertheless, users who are non-expert and/or time-constrained need information that is more readily available and identifiable than provided by supplementary documents. Budgets should present their PSAS-consistent numbers early and prominently in the main document, where users will recognize them as the definitive projections and as the appropriate numbers to compare to past and future results.

year and is the appropriate number to compare with total expenses reported in the financial statements after year-end.³ This is wrong: the financial statements, using PSAS, consolidate all expenses, including the amortization of capital. But it is a trap the non-expert can easily fall into.

What the user should be able to do is start at the front of the document and flip pages – ideally a small number of pages – until she or he finds a figure representing the total projected expense for the year, calculated on a PSAS-consistent basis. However, in all city budgets in the past and in most city budgets even now, no such number appears. That is why we think a motivated non-expert would add the operating and capital spending totals.

What of the bottom line – the difference between revenue and expense? The minority of cities that present PSAS-consistent budget numbers provide a single figure comparable to the single bottom-line figure they publish in their financial statements. For the majority that do not use PSAS, our judgment is that the non-expert, unable to find a budgetary revenue number that corresponds to the spending number calculated by adding the operating and capital totals, would take her or his cue from the debate about balancing the city budget. As we have remarked already, balance – a number very close to zero – is the highlight of most debates over municipal budgets and the signal of success when those debates conclude. The non-expert will not know that the term “balance” only applies to the operating budget, which is not the same concept the city uses when reporting its results.

This discussion of how motivated non-experts might interpret municipal budgets sets us up for a more detailed discussion of what conclusions they would draw from a comparison of the budgets and

financial statements of some of Canada’s largest municipalities since 2010.

BUDGETS VERSUS RESULTS

Our main question is: how helpful would a numerate non-expert find the projected figures for spending in the budget documents of Canada’s major cities as guides to what was going to happen? Ideally, we would look at both revenues and expenses. The C.D. Howe Institute’s examination (Robson and Omran 2020b) of the reliability of budget projections among Canada’s senior (federal, provincial and territorial) governments reveals persistent overshoots of both revenue and expense projections, with a tendency for in-year surprises on the revenue and expense sides to coincide. This is not a good pattern: it is not consistent with traditional prescriptions for managing through the economic cycle and suggests that governments are engineering windfalls that they then spend and that they may be guilty of other techniques to manage their bottom lines.

However, as explained in the previous section, the revenue side at the municipal level is confusing enough to stump a non-expert at the outset. We, therefore, focus on the budget projections for spending versus the expenses reported in the financial statements. Then, we turn to the bottom line, looking at budget projections versus financial statement results.

Choice of Municipalities and Years

Our choice of municipalities is based on population. We look at Canada’s 25 most populous municipalities plus Ontario’s six most populous

3 A very astute reader might notice that some municipal budgets show transfers of funds between their operating and capital budgets, which could result in some double counting of spending when adding together the operating and capital totals. We think adjusting for these flows is too much to ask of a non-expert and, in any event, these transfers are small relative to the totals.

regional municipalities. We look at a decade of budgets and results, ending in 2019, the latest year for which year-end results for our cities are available.

The conclusions a user will draw from comparisons of budgets to results over this period will depend largely on whether a municipality's budget presented PSAS-consistent projections. Over this decade, more have done so. Some show only a PSAS-consistent bottom line, but a growing number show PSAS-consistent revenues and expenses as well. Table 1 shows whether a city presented a PSAS-consistent bottom line figure (1) or both revenues and expenses (2) in its budget each year, including 2020 for completeness.⁴

Measuring Gaps between Budget and Actual Expenses

Comparing numbers from budgets and financial statements in dollars would be straightforward for a given city in a given year. But our cities differ in size and have grown over time. So, we compare changes – percent increases or decreases from the previous year as projected in the budget documents and the comparable percent increases or decreases from the previous year shown in the financial statements.⁵

Using percent changes not only facilitates comparisons among cities of different sizes and across time, it also reduces distortions from

comparing cash-based budgets and PSAS-consistent financial statements. Cash outlays for capital typically exceed amortization expenses. So, the user who adds total spending in a city's operating budget to total spending in the capital budget will typically get a number that is larger than the PSAS-consistent expense would be. Cities that net fee-supported activities out of their operating budgets lower their spending totals. So, the user of those numbers will typically get a number that is smaller than the PSAS-consistent expense would be. Expressing projected and actual expense changes in percentage terms reduces these distortions, which means our look at the reliability of budget projections produces less extreme and unflattering results than comparisons in dollars would.⁶

Reliability of Expense Projections

The full set of numbers for each city in each year appears in Appendix Table A1. We summarize them with two measures: inaccuracy and bias. Our measure of inaccuracy is the average difference between projected and actual changes, regardless of the difference's direction. Cities that missed by smaller amounts have lower average differences – a better result. Cities that missed by larger amounts have higher average differences – a worse result. We also measure bias, which is the average difference

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- 4 We are glad to note the growing number of municipalities that provide PSAS-consistent numbers in their budgets and are optimistic that this trend will continue. Quebec City, for example, for the first time included PSAS-consistent numbers in its 2021 budget.
- 5 To describe our approach in more detail, we divide the difference between the current-year spending anticipated in a budget and the prior-year spending in the same document by the prior-year expenditure to get a percentage change. We do the same to get a percentage change from the expense figures in the financial statements. As a result, we use restated numbers for preceding years when budgets or financial statements contain such restated numbers. For cities that do not include their previous year's projected capital outlays in their budgets, we presume our reader is motivated enough to refer to the capital outlays in the previous year's budget in order to make the comparison.
- 6 However, this approach does not eliminate the distortions: in this report's next section, we estimate how important the accounting differences are as contributors to the gaps between budgets and results.

Table 1: PSAS-Consistent Projections in Municipal Budgets

Municipality	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Brampton	-	-	-	-	-	2	2	2	2	2	2
Burnaby	-	-	-	-	-	2	2	2	2	2	2
Calgary	-	-	-	-	-	-	-	-	-	-	-
Durham	-	-	1	1	1	1	1	1	1	1	1
Edmonton	-	-	-	-	-	-	-	-	-	-	-
Gatineau	-	-	-	-	-	-	-	-	-	-	-
Halifax	-	-	-	-	-	-	-	-	-	-	-
Halton	-	-	-	-	-	-	-	-	-	-	-
Hamilton	-	-	-	-	-	-	-	-	-	-	-
Kitchener	-	-	-	-	-	-	-	-	-	-	-
Laval	-	-	-	-	-	-	-	-	-	-	-
London	-	-	-	-	-	-	-	-	-	-	-
Longueuil	-	-	-	-	-	-	-	-	-	-	-
Markham	-	2	2	2	2	2	2	2	2	2	2
Mississauga	-	-	-	-	-	-	-	2	2	2	2
Montreal	-	-	-	-	-	-	-	-	-	-	-
Niagara	-	-	-	1	1	1	1	1	1	1	1
Ottawa	-	-	-	-	-	-	-	-	-	-	-
Peel	-	-	-	-	-	-	-	-	-	2	2
Quebec City	-	-	-	-	-	-	-	-	-	-	-
Regina	-	-	-	-	-	-	-	-	-	-	-
Richmond	-	-	-	-	-	-	2	2	2	2	2
Saskatoon	-	-	-	-	-	-	-	-	-	-	-
Surrey	-	-	-	-	-	-	-	2	2	2	2
Toronto	-	-	-	-	-	-	-	1	2	2	2
Vancouver	-	-	-	-	-	-	2	2	2	2	2
Vaughan	-	-	-	-	-	-	-	-	2	2	2
Waterloo	-	-	-	-	-	-	-	-	-	-	-
Windsor	-	-	-	-	-	-	-	-	-	-	-
Winnipeg	-	-	-	-	-	-	-	-	-	-	2
York	-	-	-	-	2	2	2	2	2	2	2

Note: (-) No PSAS-consistent numbers; (1) PSAS-consistent bottom line; (2) PSAS-consistent revenues, expenses and bottom line.

Source: Municipalities' budget documents.

between projected and actual changes. We use this measure to find any persistent tendencies in cities' over- or under-shooting their projections.

The left panel in Table 2 summarizes the inaccuracy and bias measures we calculate using the technique we attribute to the non-expert user who, when not finding a PSAS-consistent figure for projected expense in the budget, adds operating and capital together. Inaccuracy, or mean absolute error (regardless of the direction of the misses), is in the first column and bias, or mean error (having regard to the direction of the misses), is in the second column. Because the annual over- and undershoots establish a baseline for each subsequent year's budgets and results, the third column shows the cumulative amounts by which cities would appear to have missed their budget projections over the entire period. The fourth column compares that number to 2019 expense, to give a sense of scale.

Looking at inaccuracy, our user would conclude that, on average, cities missed their targets one way or another by 7.6 percent. No household or business or not-for-profit hits its budget targets exactly, but these numbers suggest large misses by Canadian cities.⁷ They might lead our user to pay less attention to her city's budgets in the future on the grounds that they are unreliable guides to what will actually happen.

That would be unfortunate. Cities might miss their budget targets for many reasons, some benign, others less so. Fast-growing cities with larger capital projects will have more problems with execution. Weather-related expenses such as snow removal, storm damage, and floods vary from year to year. Cities might deliberately make misleading projections – over-conservative revenue forecasts, for example. But a non-expert user will not be able

to distinguish between good and bad reasons for missing targets.

As for bias, the user who adds operating and capital in budgets would conclude that our 31 cities overshot their spending targets by an average of 0.6 percent every year. But with the results so variable across cities and year-to-year, the bias numbers for individual cities over the period range from an average undershoot of more than 8 percent annually to an average overshoot of more than 5 percent annually. These numbers, too, might lead our user to conclude that her city's budget is an unreliable guide.

What might our user have concluded if municipal budgets had presented PSAS-consistent numbers? We do not know for sure what every city would have presented in its budget every year, but we have a good proxy, because most cities' year-end financial statements include budget numbers that are on the same PSAS-consistent accounting basis as their results.⁸ (Appendix Table A2 shows the percentage change calculations based on these numbers.) If our user had used these budget numbers in her comparison, she would have reached conclusions summarized in the right panel of Table 2. The inaccuracy measure, the average gap between plans and results across all cities, is notably smaller: 3.8 percent.

Some cities that register large misses on the basis of their budget numbers look much better on the basis of their restated numbers. Halton, for example, has a poor inaccuracy score of more than 25 percent on the basis of its budget numbers and a good score of less than 1 percent on the basis of the PSAS-consistent budget numbers in its financial statements. If our non-expert user had access to

7 To provide a sense of scale, Canada's senior governments over the same decade had an overall average inaccuracy score of 3.0 percent (Robson and Omran 2020b).

8 As we elaborate below, the budget comparisons in municipal financial statements often use restated numbers, which is a further obstacle to understanding and accountability, but the discrepancies are not big enough to affect these comparisons.

Table 2: Inaccuracy and Bias in Budget Forecasts of Expenses, 2010-19

	Comparing Actual Expenses to Spending Plans in the Budgets				Comparing Actual Expenses to Spending Plans in the Financial Statements			
	Mean Absolute Error (<i>percent</i>)	Mean Error (<i>percent</i>)	Cumulative Miss (<i>\$millions</i>)	Cumulative Miss Compared to 2019 Expense (<i>percent</i>)	Mean Absolute Error (<i>percent</i>)	Mean Error (<i>percent</i>)	Cumulative Miss (<i>\$millions</i>)	Cumulative Miss Compared to 2019 Expense (<i>percent</i>)
Brampton	8.0	4.8	260	32	4.2	-1.3	-40	-5
Burnaby	3.4	1.3	-26	-6	3.3	-2.4	-64	-13
Calgary	4.0	3.7	1,227	31	3.3	-1.4	-190	-5
Durham	10.9	5.4	678	52	2.6	0.1	-6	0
Edmonton	9.0	5.2	1,296	41	3.8	-1.3	-198	-6
Gatineau	5.4	0.1	-2	0	4.4	1.1	84	11
Halifax	3.8	0.5	5	0	5.6	-4.4	-254	-25
Halton	25.7	-8.5	-236	-28	0.6	0.0	-1	0
Hamilton	5.9	-0.2	42	2	1.5	-0.3	-55	-3
Kitchener	9.5	-0.7	-17	-4	5.6	-1.6	-47	-12
Laval	7.3	3.8	303	29	2.4	0.3	17	2
London	4.8	2.5	279	23	3.7	-1.1	-79	-7
Longueuil	4.6	2.5	194	23	2.4	-0.7	-31	-4
Markham	8.8	-0.5	-48	-11	7.3	-5.0	-81	-18
Mississauga	5.8	0.9	51	5	3.4	0.7	56	6
Montreal	4.1	0.7	-2	0	6.3	0.9	277	4
Niagara	5.0	-0.2	-61	-6	1.1	-0.5	-45	-5
Ottawa	11.8	-0.8	80	2	2.5	0.0	-37	-1
Peel	11.1	-0.5	-371	-15	1.2	0.1	19	1
Quebec City	6.4	1.2	26	2	4.0	-0.1	-7	0
Regina	10.7	-1.4	-99	-15	6.2	0.2	-9	-1
Richmond	10.6	-3.0	-225	-47	5.7	-1.1	-20	-4
Saskatoon	5.0	-0.3	-24	-3	1.8	-1.0	-53	-6
Surrey	7.4	-2.5	-239	-28	5.6	-1.7	-45	-5
Toronto	4.7	-1.7	-3,858	-30	3.4	0.5	-72	-1
Vancouver	4.6	-1.3	-80	-5	1.2	-1.3	-64	-4
Vaughan	9.4	2.1	80	16	10.8	-5.1	-151	-30
Waterloo	7.2	2.5	253	23	3.2	-2.4	-142	-13
Windsor	4.3	0.8	64	8				
Winnipeg	12.3	0.2	165	10	2.6	0.0	26	2
York	5.4	3.4	220	10	5.3	0.1	0	0
Average	7.6	0.6			3.8	-1.0		
Total			-67				-1209	

Notes: In the right panel, numbers for Halton start from 2015, Vancouver 2014, Winnipeg 2011. Windsor has never published budgeted expense in its financial statements.

Sources: Municipalities' budget and financial statement documents; authors' calculations.

Halton's PSAS-consistent budget plans at the beginning of the year, she would have been able to better assess the city's plans and hold it accountable as the year unfolded and would have emerged with greater confidence in its fiscal stewardship.

The bias measures calculated on the basis of the PSAS-consistent numbers in municipal financial statements are also different from the bias measures our user would calculate from the budget numbers themselves. In fact, the sign changes: the average annual difference between projections and results becomes -1.0 percent. The cumulative amount of these annual undershoots over the 10 years comes to \$1.2 billion.⁹ These numbers do not tell us why cities tended to undershoot their spending plans. What we can say with confidence is that this fact is unknown to many municipal councillors and most voters.¹⁰

Measuring Gaps between Budgeted and Actual Bottom Lines

Turning to the bottom line, we compare what a motivated and numerate, but non-expert, reader of a municipal budget would have anticipated for 2019 and the result the same municipality reported after the end of that year.

For municipalities that presented PSAS-consistent numbers, the comparison is straightforward. In the more common case of municipalities that did not present a PSAS-consistent budget, we judge, consistent with the discussion in the previous section, that most budget

readers and listeners to budget debates would understand that their city was aiming for a balanced budget – a zero bottom line. Our measure of the difference between the budget and the result for those cities is, therefore, simply the surplus reported in the financial statements.¹¹

As with expenses, accounting inconsistencies worsen the discrepancy between the projected bottom line our user would anticipate from the budget and the actual bottom line in the financial statements. So here, as well, we turn to PSAS-consistent budget numbers in the financial statements as a proxy. We can then estimate the contribution of the accounting inconsistencies to the discrepancies between what our user would expect and the outcomes.

Reliability of Bottom-line Projections

Table 3 shows how this comparison would have worked out in 2019. The first panel shows the municipalities' 2019 projected bottom lines, both as our user would have understood them from budgets and as they appeared in the restated budget numbers in the municipalities' 2019 financial statements. For the municipalities that did not present PSAS-consistent budget numbers in their budgets, the table shows a dash – a null quantity reflecting our assumption that the non-expert expects a balanced budget. The middle panel shows the results for 2019 in each municipality's financial statements. The right panel shows each municipality's accumulated surpluses at the end of

9 Comparing each year's actual change to the same year's budgeted change effectively resets the meter every year, so it is fair to treat these misses as cumulative, with each year's surprise adding to the surprises that accumulated in previous years.

10 We emphasize that cities that presented PSAS-consistent expense figures in their recent budgets – those with a 2 in Table 1 – may show different numbers in the two Appendix tables and will have different bias and inaccuracy scores in the left and right panels of Table 2. Moreover, the restated budget numbers in the year-end financial statements are proxies for what might have appeared in the budget: restated budget numbers often include in-year adjustments that would not have been in the beginning-of-year projections.

11 The difference could, in principle, be a deficit, but none of the cities in question reported a deficit in its financial statements.

Table 3: 2019 Projected and Actual Bottom Line

	2019 Projected Surplus/Deficit				2019 Actual Surplus/Deficit		Accumulated Surplus as of 2019	
	Budget		Financial Statements		<i>\$Millions</i>	<i>% of 2019 Expense</i>	<i>\$Millions</i>	<i>% of 2019 Expense</i>
	<i>\$Millions</i>	<i>% of 2019 Expense</i>	<i>\$Millions</i>	<i>% of 2019 Expense</i>				
Brampton	73	9	87	11	111	14	4,327	528
Burnaby	5	1	185	39	113	24	4,528	957
Calgary	-	-	1,577	40	1,330	34	21,025	537
Durham	256	20	256	20	247	19	5,750	443
Edmonton	-	-	761	24	680	21	14,928	468
Gatineau	-	-	88	12	73	10	1,959	262
Halifax	-	-	61	6	105	10	2,196	213
Halton	-	-	267	32	314	37	6,800	810
Hamilton	-	-	169	10	268	15	6,211	359
Kitchener	-	-	64	17	90	23	1,501	388
Laval	-	-	84	8	74	7	2,513	239
London	-	-	215	18	222	19	4,539	378
Longueuil	-	-	7	1	33	4	1,004	121
Markham	11	3	11	3	92	21	4,699	1,075
Mississauga	-36	-4	-37	-4	136	14	9,046	943
Montreal	-	-	854	12	885	12	10,676	148
Niagara	83	9	37	4	57	6	1,800	189
Ottawa	-	-	707	19	860	23	14,652	388
Peel	399	16	483	20	441	18	11,993	487
Quebec City	-	-	295	19	222	14	4,153	267
Regina	-	-	14	2	102	15	2,370	357
Richmond	78	16	78	16	98	20	3,239	670
Saskatoon	-	-	128	16	132	16	4,457	544
Surrey	363	43	363	43	290	34	9,340	1,109
Toronto	2,370	19	722	6	1,632	13	26,806	210
Vancouver	148	9	114	7	301	18	7,909	475
Vaughan	111	22	-43	-8	494	97	9,640	1,893
Waterloo	-	-	116	11	126	11	2,810	255
Windsor	-	-	-	-	62	8	2,327	292
Winnipeg	-	-	334	20	436	26	6,767	397
York	535	24	535	24	689	31	7,909	351
Average		6		14		21		508
Total	4,396		8,531		10,717		217,874	

Note: For municipalities that do not present PSAS-consistent budgets, we presume users anticipate a balanced budget (a bottom line of zero).

Sources: Municipalities' budget and financial statement documents; authors' calculations.

2019, also from its 2019 financial statements. The numbers are in dollar terms and percentages of 2019 expenses to facilitate comparison across cities.

These results would surely surprise our user and may surprise most readers of this *Commentary*. All 31 municipalities reported surpluses in 2019. These surpluses totalled \$10.7 billion – an equally weighted average of 21 percent of the municipalities' 2019 expenses. This is markedly higher than the \$4 billion in projected surpluses our user would have calculated from the budget documents. Using the PSAS-consistent budget numbers in the municipalities' financial statements as proxies (and ignoring any restatements that affected those numbers), our user would have calculated more than \$8.5 billion in projected surpluses, making the actual result of \$10.7 billion in surpluses less of a shock – a positive \$2.2 billion surprise, rather than a \$6.7 billion one.

The combined accumulated surpluses of the 31 municipalities at the end of 2019 amounted to \$218 billion. This is an impressive number. There is much to like about it. The substantial positive net worth of Canada's municipalities means Canadians can have higher confidence in their capacity to deliver services than would be the case if they had negative net worth, like too many senior governments. It demonstrates a degree of prudence that is, unfortunately, not as evident at the provincial and federal levels of government.

But there is also reason for concern about this number. The 2019 surpluses were larger than councillors and voters would have expected from that year's budgets, especially in municipalities that presented budgets without PSAS-consistent bottom lines. The discrepancy between results and budget-based expectations would also be true of prior years, when even fewer cities presented budgets with PSAS-consistent bottom lines. So it

is fair to say that this positive net worth was not planned. We think the fact that it exists at all would surprise most Canadians.

BETTER MUNICIPAL FISCAL ACCOUNTABILITY IN CANADA: WHY AND HOW

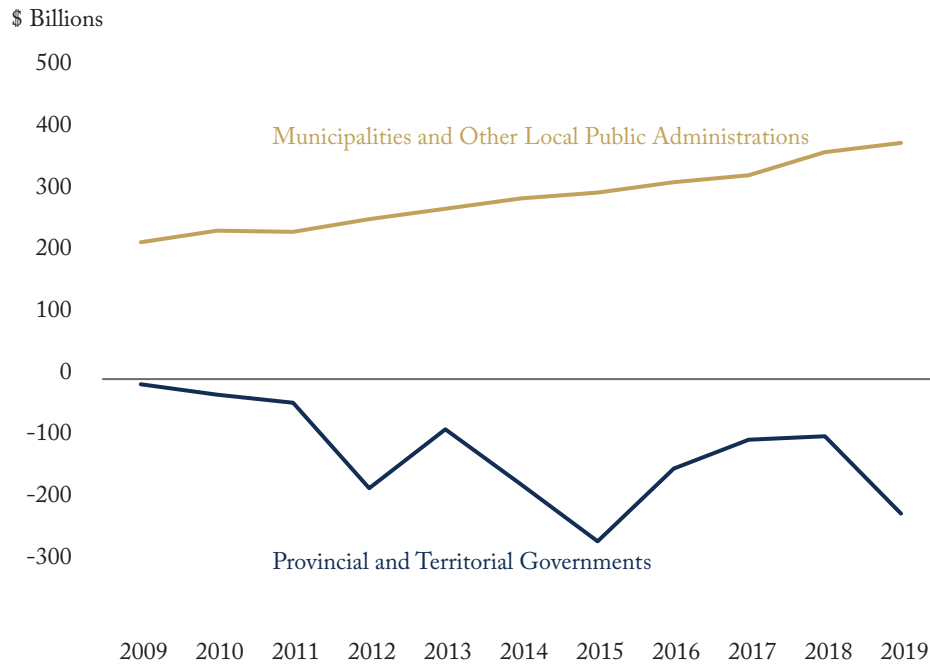
To summarize to this point, we note that most Canadian major cities' budgets are less helpful than they should be in anticipating what end-of-year financial statements will show. We close with some observations about why this matters and what to do about it.

Consequences of Misleading Budget Projections

As we comment in a companion report that grades the quality of the information in municipal budgets and financial reports (Robson and Wu 2021), the problems councillors have in understanding the consequences of their budget votes likely have real-world consequences. In particular, pressure to balance operating budgets and finance large capital outlays separately probably leads cities to delay or abandon some capital projects and to rely heavily on upfront charges to finance projects, including some they delay or abandon as a result.

That dynamic would help explain the larger-than-expected surpluses just discussed. Statistics Canada's compilation of municipal government assets and liabilities tells a suggestive story in this regard. Canadian cities not only have much larger positive net worth than is commonly understood (Figure 1), but they have, in aggregate, substantial holdings of financial assets (Figure 2). These financial assets are not relatable dollar-for-dollar to surpluses: municipalities can, and should, set up deferred-revenue liabilities when they receive cash

Figure 1: Provincial and Municipal Net Worth, 2009-19



Source: Statistics Canada, Table: 10-10-0020-01.

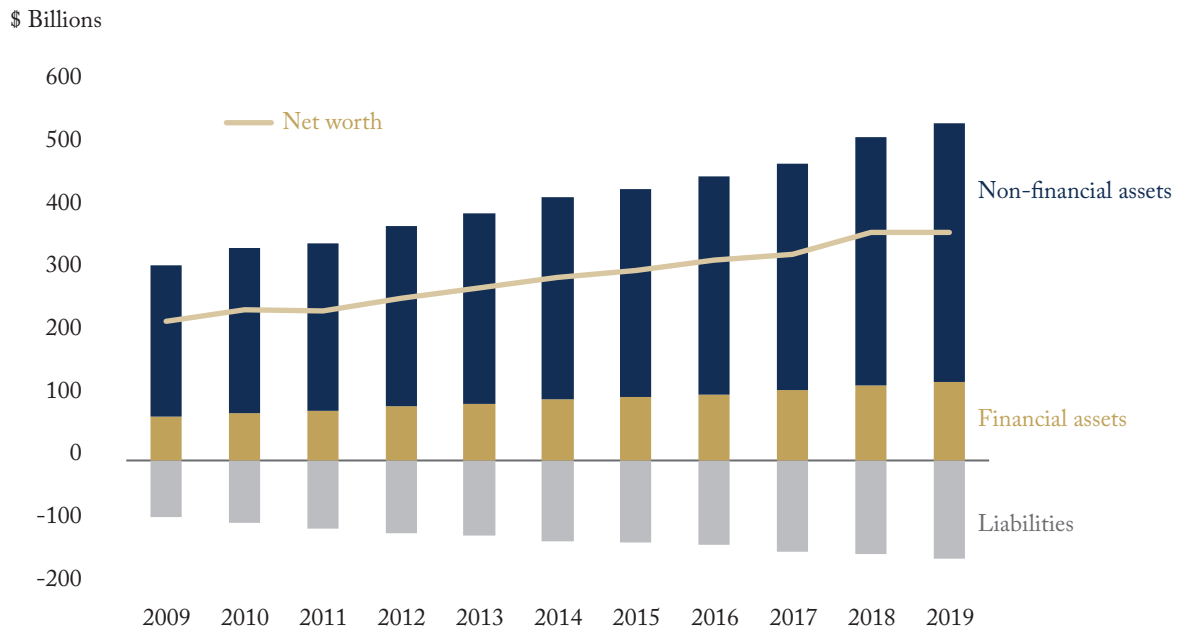
that they will use for specific future purposes.¹² Nevertheless the fact that they held more than \$125 billion in financial assets at the end of 2019 suggests that some – perhaps most – of them could have invested more in infrastructure and/or collected less revenue.

Then, there is the higher-level concern: that the disconnect between budget projections and year-end results in so many cities discourages

constructive engagement in the budget process. It may lead some taxpayers, voters and commentators to conclude that city councils and staff are not giving them reliable information or that the city cannot deliver on its commitments. Disengagement and cynicism undermine democracy and will not help Canadians get better services at reasonable cost from their municipal governments.

12 Suppose a municipality levies a dollar in development charges that it will spend building a water line to the site or receives a dollar in a provincial grant conditional on building a road in the future. The municipality will hold the dollar as a financial asset and set up a one-dollar deferred revenue liability since restrictions apply to the dollar's use. The dollar does not affect the bottom line: the liability offsets the asset. Once the municipality builds the water line or the road, it will record the dollar in revenue and expense simultaneously, and the dollar will disappear from its assets and liabilities.

Figure 2: Composition of Canadian Municipalities Net Worth , 2009-19



Source: Statistics Canada, Table: 10-10-0020-01.

How to Improve Municipal Fiscal Accountability

Our core recommendation for improving the usefulness of municipal budgets to elected representatives, voters and other non-experts is that municipalities should present them using the same accounting they use in their financial statements. At the very least, budgets should contain clearly identifiable PSAS-consistent information on revenues, expenses and the bottom line. Only 12 of the 31 municipalities we look at provided this information in their 2020 budget documents – two additional ones provided the bottom line only – and many of those that do provide the information do not make it easy to find. Ideally, all cities would publish the same PSAS-consistent information in

their budgets that they provide in their financial statements so that users would be able to see not just how the aggregate figures compare, but what happened component by component. This presentation would promote much better understanding of how cities perform relative to their budget plans.

Some provinces impede their municipalities from producing PSAS-consistent budgets. They may require their municipalities to have a cash-based capital budget separate from the operating budget, as Alberta does. They may require their municipalities to balance their operating budgets, as Quebec and Ontario do. They may mandate including transfers to and from reserves in the operating budget, as Ontario does. They may require their municipalities to include debt principal

repayments in their spending, as British Columbia does. But nothing prevents cities subject to these constraints from presenting PSAS-consistent budget information. Cities should display it early and prominently enough in their budget documents that people can readily find it and confidently identify it. This recommendation does not preclude cities including “operating” and “capital” tallies in their budget documents. Budgets, like financial statements, can show supplementary information to help councillors and others track their cash commitments and consider multi-year plans. The key point is that the headline numbers should use the same accounting method as the year-end results did in the past and are expected to use in the future. That presentation allows any user who can compare two numbers to understand whether the budget anticipates changing revenue and spending, and by how much, and to judge the government’s success in achieving its goals after the year is done.

Even without any improvement in the ability of city officials or councillors to achieve budget targets, PSAS-consistent budgets would shrink the gaps between expected and actual expenses. PSAS-consistent budgets would also help users understand their cities’ evolving financial positions, and – given the robust surpluses cities typically produce – promote confidence about cities’ ability to deliver future services. Councillors and others would be better able to evaluate budgets and check how well their city’s actions matched its projections.

Consistent numbers would spur requests for other financial reports that are typical in business and among senior governments, such as timely presentation and informative reconciliations. All these developments would hold municipal governments to better account for their budget projections, for their results and for acting to reduce the gaps between them.

CANADA’S MUNICIPALITIES CAN DO BETTER

Municipal governments play major roles in Canadians’ lives. Canadians need better information on how they budget and what they do. The results summarized in this *Commentary* testify to the challenges a user of these core documents would encounter in understanding the budget plans of Canada’s major municipalities and in tracking whether the municipality’s results were consistent with its plans.

To the extent that a numerate but non-expert user can find the key spending numbers in a municipality’s budget and financial statements, that user would probably conclude that the municipality did a poor job of hitting its spending projections. Our survey of budgets and results from Canada’s most populous municipalities over the past decade indicates that this user would conclude that these cities missed those projections by 7.6 percent on average. Roughly half that apparent inaccuracy reflects inconsistent accounting.

This user would also probably conclude that the municipal budget debates, which feature warnings about hikes in property taxes and cuts in services, are misleading. Our survey shows that municipalities reported a total \$10.7 billion surplus in 2019 and that their surpluses over the previous decade totalled 20 times that amount (\$218 billion). Users of municipal budgets would not have expected any such result. Canadians should be pleased that their municipal governments are in such good shape. But they should be troubled by the fact that the surpluses that underlie this result were surprises, and that budget figures that did not prefigure their municipality’s financial results shaped decisions about property taxes, services and infrastructure investments.

Improving this situation is partly a matter of presenting budgets on the same PSAS-consistent

basis as municipal financial statements. It is also a matter of councillors, ratepayers and voters demanding timely information on interim and final results so they can compare those results to budget projections and – when circumstances suggest it – demand corrective action.

Fiscal transparency in Canada has generally improved over the years. Compliance with PSAS is now all but universal in the financial statements of Canada's federal, provincial and territorial

governments, and their budgets are also coming into line. Other elements that help voters hold them to account such as timely presentation of budgets, financial statements and interim results are also better than they were. Canada's municipalities have raised their game, but they still have a long way to go. Councillors, ratepayers and voters should insist on better numbers from their municipalities and on the improved fiscal accountability the better numbers will make possible.

APPENDIX:

Table A1: Budgeted Spending and Actual Expenses, Change in Percent

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Brampton	Budgeted	-4.9	-0.7	0.0	14.0	5.2	5.8	3.4	6.3	5.9
	Actual	8.8	10.1	8.9	4.7	10.0	12.6	-2.1	8.6	5.0
	Difference	13.7	10.8	8.9	-9.3	4.8	6.8	-5.5	2.3	-0.9
Burnaby	Budgeted	0.5	-1.8	6.4	-3.5	1.4	3.8	7.1	6.9	9.2
	Actual	1.3	5.1	5.2	4.5	4.8	4.4	4.1	2.4	7.2
	Difference	0.8	6.8	-1.2	8.1	3.4	0.6	-3.0	-4.5	-1.9
Calgary	Budgeted	-1.4	0.1	-2.4	4.7	2.5	-6.5	4.6	-6.7	2.1
	Actual	7.5	0.5	1.6	10.9	2.7	2.9	4.0	1.4	1.1
	Difference	9.0	0.4	4.1	6.2	0.3	9.4	-0.5	8.1	-1.0
Durham	Budgeted	4.2	9.6	1.7	-6.3	18.9	-51.1	-5.0	5.6	5.7
	Actual	6.0	0.3	4.7	2.2	4.0	3.8	0.3	4.5	3.6
	Difference	1.8	-9.3	3.0	8.4	-14.9	54.9	5.3	-1.1	-2.1
Edmonton	Budgeted	-0.6	-4.5	1.7	-6.3	-8.8	-7.9	-1.7	1.0	7.9
	Actual	7.4	8.0	2.8	8.6	7.5	2.6	4.2	2.5	5.3
	Difference	8.0	12.6	1.1	14.9	16.3	-16.4	10.5	1.4	-2.6
Gatineau	Budgeted	11.2	-3.7	6.6	8.5	3.3	-5.3	3.5	3.3	5.7
	Actual	7.6	4.9	9.9	1.5	3.7	2.3	4.4	2.5	12.7
	Difference	-3.6	8.6	3.3	-7.0	0.4	-15.2	7.6	-0.8	7.1
Halifax	Budgeted	4.3	2.2	2.0	7.3	0.0	6.6	1.0	-3.1	6.6
	Actual	3.0	6.8	0.9	4.4	6.0	0.5	3.2	5.7	2.5
	Difference	-1.3	4.5	-1.1	-3.0	6.0	-6.1	2.2	8.8	-4.1

Table A1: Continued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Halton	Budgeted	-8.0	-14.8	52.4	89.6	-32.5	-3.0	-8.5	25.8	13.8
	Actual	4.9	3.1	1.7	4.4	1.7	4.5	3.9	2.7	2.2
	Difference	12.9	17.9	-50.7	-85.2	34.2	1.0	7.5	12.4	-23.1
Hamilton	Budgeted	10.6	-4.0	14.1	1.2	2.1	1.1	5.6	-7.5	-5.6
	Actual	-1.4	2.5	0.5	0.3	4.6	1.8	2.1	4.3	-2.0
	Difference	-12.0	6.4	-13.7	-0.9	2.5	0.7	-3.5	11.8	3.6
Kitchener	Budgeted	3.1	-24.8	-1.3	32.1	-0.5	-1.1	4.3	0.9	2.9
	Actual	-4.8	0.3	1.5	1.2	6.3	1.2	8.0	3.9	3.4
	Difference	-7.9	25.2	2.8	-30.9	6.8	2.3	3.7	3.0	0.6
Laval	Budgeted	-5.7	8.0	1.4	-5.5	2.7	2.0	8.2	4.0	-0.8
	Actual	4.8	3.0	4.4	9.1	-2.7	2.8	0.8	13.5	8.5
	Difference	10.5	-5.0	3.0	14.6	-5.4	0.8	-7.4	9.5	9.3
London	Budgeted	-5.9	-2.4	0.4	2.3	3.5	9.7	4.7	-7.1	4.0
	Actual	4.6	4.5	-1.1	1.0	6.9	1.0	6.3	6.1	4.3
	Difference	10.4	6.9	-1.5	-1.3	3.4	0.5	-8.7	1.6	13.2
Longueuil	Budgeted	1.5	6.0	7.3	2.7	4.1	-6.5	3.0	5.1	1.8
	Actual	1.0	6.1	2.9	6.0	-1.6	1.6	3.2	12.3	6.6
	Difference	-0.5	0.0	-4.5	3.3	-5.7	11.6	8.1	0.2	7.2
Markham	Budgeted	-9.8	5.4	14.3	21.7	-8.0	9.9	-5.4	2.9	13.9
	Actual	-0.4	8.2	4.3	0.9	6.2	1.4	-0.3	6.2	6.6
	Difference	9.4	2.9	-10.1	-20.8	14.1	-8.5	5.1	3.4	-7.4
Mississauga	Budgeted	18.5	-7.1	-5.5	1.9	9.4	5.8	2.1	2.2	2.4
	Actual	2.9	7.8	1.1	4.1	9.1	6.9	2.3	10.5	2.2
	Difference	-15.6	15.0	6.6	2.2	-0.3	-8.4	1.1	0.3	8.3

Table A1: Continued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Montreal	Budgeted	-3.0	11.5	8.1	4.5	-4.0	4.2	3.3	5.7	7.5	3.3
	Actual	-3.8	26.6	3.1	5.3	-7.9	9.1	1.0	1.7	6.7	6.1
	Difference	-0.9	15.2	-5.0	0.8	-3.9	4.9	-2.3	-4.0	-0.8	2.8
Niagara	Budgeted	-2.3	-11.0	4.7	10.1	2.8	-4.1	2.6	5.4	0.7	11.4
	Actual	7.2	-14.6	5.9	-4.3	6.4	4.5	1.2	5.2	2.3	4.9
	Difference	9.4	-3.6	1.1	-14.4	3.6	8.6	-1.3	-0.1	1.6	-6.5
Ottawa	Budgeted	8.6	4.4	6.3	47.2	-34.2	2.3	-0.9	11.0	-0.2	2.2
	Actual	4.6	3.1	3.2	2.6	7.3	2.8	1.2	0.6	6.7	6.2
	Difference	-4.0	-1.2	-3.1	-44.6	41.5	0.5	2.1	-10.4	6.9	4.0
Peel	Budgeted	-12.2	21.4	0.0	8.7	16.9	-22.8	4.7	15.4	1.3	20.0
	Actual	7.1	7.6	4.6	2.9	3.9	3.0	5.3	5.4	3.8	4.9
	Difference	19.4	-13.8	4.7	-5.9	-13.0	25.9	0.6	-10.0	2.5	-15.1
Quebec City	Budgeted	7.5	-0.9	-1.3	10.6	-4.4	6.7	-2.9	6.3	-2.2	6.4
	Actual	13.7	7.1	4.6	2.7	-0.4	-1.3	2.3	2.5	6.6	0.6
	Difference	6.3	8.0	5.8	-7.9	4.0	-8.0	5.2	-3.8	8.9	-5.9
Regina	Budgeted	3.8	6.0	-2.3	9.5	24.5	5.0	-8.6	2.0	22.0	0.9
	Actual	-11.2	0.7	9.1	2.8	23.2	-8.7	14.3	3.9	3.5	10.8
	Difference	-15.0	-5.2	11.3	-6.7	-1.3	-13.7	23.0	1.8	-18.5	9.9
Richmond	Budgeted	24.7	-2.4	-4.7	0.0	49.8	-3.3	1.1	5.2	5.1	5.5
	Actual	1.6	3.9	1.3	3.3	9.8	3.5	1.6	8.9	0.3	16.7
	Difference	-23.1	6.3	6.1	3.3	-39.9	6.8	0.5	3.7	-4.8	11.2
Saskatoon	Budgeted	19.4	8.5	1.1	16.4	-2.4	2.5	-7.9	7.7	6.4	-0.7
	Actual	5.4	2.3	4.2	11.8	3.2	10.1	-4.0	8.7	4.9	1.9
	Difference	-14.0	-6.2	3.0	-4.6	5.6	7.6	3.9	0.9	-1.6	2.6

Table A1: Continued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Surrey	Budgeted	28.1	16.2	4.1	15.0	-5.0	5.1	5.4	4.9	3.5
	Actual	9.3	8.5	3.6	3.5	14.1	4.2	5.5	4.9	9.0
	Difference	-18.8	-7.7	-0.5	-11.5	19.0	-9.9	-0.9	0.1	0.0
Toronto	Budgeted	11.7	-2.6	2.9	-0.5	1.4	10.0	9.6	12.3	5.2
	Actual	5.9	1.0	-2.7	1.6	2.5	0.5	3.3	8.8	3.6
	Difference	-5.8	3.6	-5.6	2.1	1.1	-9.6	-6.3	-3.5	-1.6
Vancouver	Budgeted	29.7	-4.1	-3.4	1.9	3.8	3.9	7.2	1.2	9.3
	Actual	9.4	4.7	0.4	1.1	3.4	5.6	6.6	3.4	5.0
	Difference	-20.4	8.8	3.8	-0.8	-0.4	1.7	-0.6	2.3	-4.4
Vaughan	Budgeted	-24.5	10.9	1.4	8.4	-7.8	-1.7	13.6	6.4	14.1
	Actual	9.1	8.4	-0.1	6.8	7.2	2.3	3.3	11.7	1.2
	Difference	33.6	-2.4	-1.5	-1.6	15.0	-7.8	4.0	-10.3	5.3
Waterloo	Budgeted	5.5	5.0	1.9	7.6	3.6	-12.9	-6.0	-0.8	-1.4
	Actual	-0.1	0.9	7.1	3.4	2.2	6.3	5.9	7.8	1.8
	Difference	-5.6	-4.1	5.2	-4.2	-1.3	-8.3	19.2	11.9	8.6
Windsor	Budgeted	2.9	-9.0	0.2	-0.3	8.9	3.8	-2.5	1.9	3.9
	Actual	-0.2	-1.2	3.0	-0.1	1.3	2.2	0.1	9.2	-1.0
	Difference	-3.0	7.9	2.8	0.1	-7.6	-1.6	2.6	7.3	-5.0
Winnipeg	Budgeted	-0.5	-3.2	6.2	0.9	4.0	43.6	-32.3	-2.3	7.1
	Actual	3.0	7.5	2.1	7.5	7.7	5.8	1.2	2.3	5.2
	Difference	3.5	10.6	-4.1	6.6	3.7	-37.8	33.5	4.6	-1.9
York	Budgeted	1.7	3.6	10.6	5.9	0.5	1.6	9.1	2.8	4.6
	Actual	3.1	17.5	6.7	10.7	12.3	4.3	9.6	11.3	0.3
	Difference	1.5	14.0	-3.9	4.9	11.8	2.8	0.5	8.5	-4.4

Note: Projected changes in spending (operating and capital added together) in each year's budget are in the first row. Actual changes in expenses in the financial statements are in the second row. The differences between them are in the third row.

Source: Municipalities' budget and financial statements documents; authors' calculations.

Table A2: Budgeted and Actual Expenses in Financial Statements, Change in Percent

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Brampton	Budgeted	4.4	7.6	8.0	8.1	6.1	12.6	-1.9	5.8	6.0	
	Actual	8.8	10.1	8.9	4.7	10.0	12.6	-2.1	8.6	5.0	
	Difference	4.4	2.6	0.8	-3.4	3.9	-23.4	0.0	-0.2	2.8	-1.0
Burnaby	Budgeted	24.7	4.3	5.4	3.8	4.7	5.8	4.4	5.4	6.1	
	Actual	1.3	5.1	5.2	4.5	4.8	4.6	4.1	2.4	7.2	
	Difference	-23.4	0.8	-0.2	0.7	0.1	-1.2	1.8	-0.3	-2.9	1.1
Calgary	Budgeted	14.2	6.4	1.0	5.4	9.1	6.1	5.1	1.1	-1.1	
	Actual	7.5	0.5	1.6	10.9	2.7	3.9	2.9	4.0	1.4	1.1
	Difference	-6.7	-5.9	0.6	5.5	-6.3	-2.1	-2.2	1.3	0.3	2.2
Durham	Budgeted	-1.7	3.0	-0.5	2.8	3.2	2.5	5.2	4.4	4.3	
	Actual	6.0	0.3	4.7	2.2	4.0	0.3	3.8	0.3	4.5	3.6
	Difference	7.7	-2.7	5.3	-0.7	0.8	-2.3	-1.4	-4.2	-0.4	-0.6
Edmonton	Budgeted	25.5	4.5	2.4	6.3	6.8	4.0	9.6	1.8	1.5	5.5
	Actual	7.4	8.0	2.8	8.6	7.5	6.3	2.6	4.2	2.5	5.3
	Difference	-18.1	3.6	0.4	2.2	0.7	2.3	-7.0	2.5	0.9	-0.2
Gatineau	Budgeted	5.8	6.7	5.9	1.5	4.7	1.8	-10.8	2.6	3.9	
	Actual	7.6	4.9	9.9	1.5	3.7	-0.8	2.3	4.4	2.5	12.7
	Difference	1.8	-1.8	4.0	-0.1	-1.0	-2.6	13.1	-11.3	0.0	8.9
Halifax	Budgeted	1.3	31.3	24.1	4.3	2.4	2.1	1.2	5.2	2.3	
	Actual	3.0	6.8	0.9	4.4	6.0	0.4	0.5	3.2	5.7	2.5
	Difference	1.7	-24.5	-23.2	0.1	3.6	-1.7	-0.8	-0.1	0.5	0.1

Table A2: Continued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Halton	Budgeted	0.0	0.0	0.0	0.0	4.4	5.7	3.9	3.0	1.0
	Actual	4.9	3.1	1.7	4.4	4.8	4.5	3.9	2.7	2.2
	Difference	0.0	0.0	0.0	0.0	0.0	-1.2	0.0	-0.3	1.3
Hamilton	Budgeted	1.4	0.0	-0.1	1.5	6.1	3.9	3.1	3.5	-0.4
	Actual	-1.4	2.5	0.5	0.3	5.5	1.8	2.1	4.3	-2.0
	Difference	-2.8	2.5	0.6	-1.2	2.1	-2.1	-1.0	0.8	-1.5
Kitchener	Budgeted	-3.0	-9.8	13.0	4.1	1.0	2.8	5.4	16.9	1.4
	Actual	-4.8	0.3	1.5	1.2	6.3	1.2	8.0	3.9	3.4
	Difference	-1.8	10.1	-11.5	-2.8	5.3	-1.6	2.5	-13.0	2.1
Laval	Budgeted	5.4	6.0	4.4	2.4	3.8	2.0	1.6	10.4	5.8
	Actual	4.8	3.0	4.4	9.1	-2.7	2.8	0.8	13.5	8.5
	Difference	-0.5	-3.0	0.0	6.8	-6.5	0.3	0.8	-0.8	3.1
London	Budgeted	0.0	1.7	2.5	1.0	23.2	4.9	4.5	4.0	2.7
	Actual	4.6	4.5	-1.1	1.0	6.9	1.0	6.3	6.1	4.3
	Difference	4.6	2.8	-3.6	0.0	-16.4	0.2	-3.9	1.7	2.1
Longueuil	Budgeted	10.3	5.0	4.6	4.2	1.6	1.1	2.1	13.6	4.9
	Actual	1.0	6.1	2.9	6.0	-1.6	1.6	3.2	12.3	6.6
	Difference	-9.3	1.1	-1.7	1.8	-3.2	1.9	0.5	1.1	-1.3
Markham	Budgeted	36.1	6.9	3.0	6.4	4.7	5.3	42.6	5.0	3.5
	Actual	-0.4	8.2	4.3	0.9	6.2	1.4	27.1	6.2	6.6
	Difference	-36.5	1.3	1.3	-5.5	1.4	-3.9	-15.5	1.3	3.0
Mississauga	Budgeted	5.1	5.7	2.4	1.0	4.0	3.8	3.8	3.6	4.9
	Actual	2.9	7.8	1.1	4.1	9.1	6.9	2.3	10.5	2.2
	Difference	-2.1	2.1	-1.4	3.1	5.1	-5.9	3.1	-1.4	6.9

Table A2: Continued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Montreal	Budgeted	6.7	6.0	6.9	3.0	-0.7	1.2	1.6	-1.3	11.5	3.6
	Actual	-3.8	26.6	3.1	5.3	-7.9	9.1	1.0	1.7	6.7	6.1
	Difference	-10.5	20.7	-3.8	2.3	-7.3	7.8	-0.6	3.0	-4.8	2.5
Niagara	Budgeted	5.5	-11.8	7.0	-2.3	6.1	5.4	1.1	5.2	1.2	5.7
	Actual	7.2	-14.6	5.9	-4.3	6.4	4.5	1.2	5.2	2.3	4.9
	Difference	1.6	-2.9	-1.1	-2.0	0.3	-1.0	0.1	0.1	1.1	-0.7
Ottawa	Budgeted	7.5	-6.9	14.5	2.1	6.9	2.9	1.1	1.8	5.4	6.1
	Actual	4.6	3.1	3.2	2.6	7.3	2.8	1.2	0.6	6.7	6.2
	Difference	0.0	10.1	-11.3	0.5	0.3	-0.1	0.1	-1.2	1.4	0.2
Peel	Budgeted	8.2	6.2	7.1	3.4	0.4	4.3	4.6	5.5	4.1	4.0
	Actual	7.1	7.6	4.6	2.9	3.9	3.0	5.3	5.4	3.8	4.9
	Difference	-1.1	1.4	-2.4	-0.5	3.5	-1.3	0.7	-0.2	-0.4	0.9
Quebec City	Budgeted	11.9	-3.4	15.0	3.1	3.4	0.6	-0.9	-0.8	6.1	4.5
	Actual	13.7	7.1	4.6	2.7	-0.4	-1.3	2.3	2.5	6.6	0.6
	Difference	1.8	10.5	-10.4	-0.4	-3.8	-1.9	3.2	3.3	0.5	-3.9
Regina	Budgeted	-11.6	-2.0	9.1	8.0	11.7	9.0	4.3	6.0	8.5	3.6
	Actual	-11.2	0.7	9.1	2.8	23.2	-8.7	14.3	3.9	3.5	10.8
	Difference	0.4	2.7	-0.1	-5.1	11.4	-17.7	10.0	-2.2	-5.0	7.2
Richmond	Budgeted	23.3	4.5	2.0	2.0	3.6	4.8	5.9	4.5	6.0	5.5
	Actual	1.6	3.9	1.3	3.3	9.8	3.5	1.6	8.9	0.3	16.7
	Difference	-21.7	-0.6	-0.6	1.3	6.2	-1.3	-4.4	4.4	-5.7	11.2
Saskatoon	Budgeted	5.0	2.6	5.8	14.1	9.8	6.6	-2.2	8.5	6.0	2.0
	Actual	5.4	2.3	4.2	11.8	3.2	10.1	-4.0	8.7	4.9	1.9
	Difference	0.4	-0.3	-1.6	-2.3	-6.7	3.5	-1.9	0.2	-1.2	0.0

Table A2: Continued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Surrey	Budgeted	5.3	29.6	5.6	12.0	6.6	1.9	5.4	4.9	3.5
	Actual	9.3	8.5	3.6	3.5	14.1	4.2	5.5	4.9	9.0
	Difference	4.0	-21.0	-2.0	-8.5	7.5	2.3	0.1	0.0	5.5
Toronto	Budgeted	0.9	6.9	0.0	2.9	-2.7	2.8	5.8	3.4	3.4
	Actual	5.9	1.0	-2.7	1.6	2.5	0.5	3.3	8.8	3.6
	Difference	5.0	-5.8	-2.7	-1.3	5.1	-2.3	-2.5	5.3	0.2
Vancouver	Budgeted	0.0	0.0	0.0	0.0	2.5	3.8	5.6	8.0	8.4
	Actual	9.4	4.7	0.4	1.1	3.4	5.6	6.6	3.4	5.0
	Difference	0.0	0.0	0.0	0.0	0.0	1.8	1.0	-4.6	-3.5
Vaughan	Budgeted	-	2.2	5.0	5.4	39.9	14.3	1.1	13.0	11.7
	Actual	9.1	8.4	-0.1	6.8	7.2	2.3	3.3	11.7	1.2
	Difference	-	6.2	-5.1	1.4	-32.7	-12.0	2.3	-1.3	-10.5
Waterloo	Budgeted	25.7	1.0	8.8	2.3	2.7	6.5	3.6	7.7	1.8
	Actual	-0.1	0.9	7.1	3.4	2.2	6.3	5.9	7.8	1.8
	Difference	-25.8	-0.1	-1.7	1.1	-0.5	-0.3	-0.3	2.3	0.1
Windsor	Budgeted	-	-	-	-	-	-	-	-	-
	Actual	-0.2	-1.2	3.0	-0.1	1.3	2.2	0.1	9.2	-1.0
	Difference	-	-	-	-	-	-	-	-	-
Winnipeg	Budgeted	0.0	5.1	7.3	4.4	5.3	3.6	3.0	1.5	2.1
	Actual	3.0	7.5	2.1	7.5	7.7	5.8	1.2	2.3	5.2
	Difference	0.0	0.0	-5.2	3.1	2.4	-4.4	-1.8	0.8	3.1
York	Budgeted	5.6	9.6	9.7	8.7	14.2	17.9	5.8	3.5	5.6
	Actual	3.1	17.5	6.7	10.7	12.3	4.3	9.6	11.3	0.3
	Difference	-2.5	8.0	-3.0	2.0	-2.0	-13.5	3.8	7.8	-5.4

Sources: Municipalities' financial statements; authors' calculations.

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