The Politics of Local Budgeting in Canada: Three Case Studies

Postdoctoral Seminar
Wednesday June 12, 2024

Stephanie Ortynsky, PhD
Institute on Municipal Finance & Governance
University of Toronto
Public Budgeting in Canada

There are 3,587 budget processes to study in Canada!
Municipal budgeting differs in key ways from federal/provincial.

There are not many instances of budget reform at the municipal level, but there are three relatively recent cases which I will talk about – Halifax, Toronto and Vancouver.

Three key take-aways to consider when embarking on local government budget reform to facilitate change.
### Key Differences in Budgeting

- **Fiscal years differ** – exception is Nova Scotia
- Accounting systems differ – cash-based vs accrual
- Public servants *present the budget*, instead of the politicians – different in Ontario with the Strong Mayors’ legislation
- **Multi-year financial planning** is optional in all provinces – it is required in British Columbia
- **Legislated balanced budgets** compared to voluntary balanced budgets (7/13 provincial/territorial governments with BB laws)
- In-year budget management differs
- Budget process, cycle, and timelines differ
Federal/Provincial Government Budget Cycle

- May until August: Revenues and expenditures are tracked by public service.
- September until November: Government consults with stakeholders.
- November to December: Public service develops options for cabinet.
- January to March: Cabinet debates and approves budget.
- March until April: Minister of Finance presents budget, legislature votes on final package.
- March until April: Minister of Finance presents budget, legislature votes on final package.

Local Government Budget Cycle

- July until October: Finance staff receive proposals from Divisions and develop options.
- November/December: Finance staff finalize proposed budget.
- January: Staff recommended budget is provided and budget committee hears from the public.
- February/March: Council votes on budget.
- Ongoing: Mayor/Council adopts decisions that affect budget considerations at annual budget time.
- Ongoing: Mayor/Council adopts decisions that affect budget considerations at annual budget time.

Ongoing – Mayor/Council adopts decisions that affect budget considerations at annual budget time.
Key Differences in Politics

• Party system in provincial/federal government with joint cabinet decision-making
• Local councillor is a sole actor in Halifax and Toronto
• Stronger “horse trading” in local government
• Budgeting is closer to the public and one could argue more transparent in local government
Political Framework

Local Government Budget Actors

- Priority setters & Decision-makers
  - Mayors & Councillors

- Guardians
  - Finance Office/Department

- Spender
  - Department A
  - Department B
  - Department C
  - Department D

- Outside Agencies
- Citizens
  - Public

- Provincial Priority setters

- Citizens Public
Halifax Regional Municipality (HRM)

Fiscal Year Change
Halifax Regional Municipality (HRM) Profile

- **Population is 500,000** in 2024 (50% of Nova Scotia)
- HRM is **one of 49 municipalities** in Nova Scotia
- Geographic size is **5,500 sq. km**
- Contributes **57% to provincial GDP**
- Operating budget was **$1.04 B** and Capital budget was **$0.31 B** in 2024/25
- Budget process reform: *Municipal Fiscal Year Act, 1990*
Nova Scotia's Municipal Fiscal Year Act, 1990

- Legislated by the **provincial government**
- Began on January 1, 1991 and was a 15-month fiscal year until March 31, 1992
- Impacted all municipalities in Nova Scotia
- John Buchanan was Premier from October 5, 1978 until September 12, 1990
- Roger Stuart Bacon took over on September 12, 1990 to February 26, 1991 as interim Premier for the Progressive Conservatives
Expenditure budget cycle begins; initiated by Finance & Asset Management staff in collaboration with individual business units.

- **Sep.–Oct.**: Budget Direction report is presented to Budget Committee.
- **Nov.**: Capital Plan updated by Finance & Asset Management staff.
- **Dec.**: Budget presentations by each business unit to Budget Committee.
- **Jan.–Mar.**: Budget presentations by each business unit to Budget Committee.
- **Apr.**: Budget approval by City Council.
Overall, a technical budget reform, less complicated to implement

Facilitates strategic planning and transfers from the province when the fiscal years align

Leadership on legislation from the province, less municipal power?

Budgeting and financial reporting was impacted that year

Municipal Fiscal Year Change
Benefits and Drawbacks
City of Toronto

- Population is **3.026 M** in 2022 (21% of Ontario)
- City of Toronto is one of 444 municipalities in Ontario
- Geographic size is **641 sq. km**
- Contributes **53% to provincial GDP** and **21% to Canadian GDP**
- Operating budget was $17.1 B and Capital budget was $49.8 B in 2024
- Budget process reform:
  - Changes to the *City of Toronto Act, 2006* in 2022 by the province through *Bill 3, Strong Mayors, Building Homes Act, 2022*
  - *Bill 39, Better Municipal Governance Act, 2022*
Strong Mayor Powers in Toronto

Strong Mayor powers came into effect in the fall of 2022 for Toronto and Ottawa.

On July 1, 2023, 26 additional Ontario municipalities (large and fast-growing), which are single- or lower-tier local governments with a population of over 100,000 by 2031, joined.

Changes included council committees; powers relating to city administration; mayoral power to introduce the city budget; mayor’s veto; and public repository of mayoral decisions.
Implications of Strong Mayor Powers for the City Budget

- **Mayor** has supported that **staff continue to table a budget** with input from **divisions** and input from the **Mayor** but this is not a requirement under COTA.
- **Mayor** has chosen to continue having a **Budget Committee** to deliberate **the staff tabled budget** and hear from the public.
  - Mayor appoints the Budget Committee Chair and Vice-Chair.
  - Budget committee's recommendations go to the Mayor.
- **City Council** deliberates on budget proposed by **Mayor** (no longer transmitted by budget committee).
  - Council only actively votes only on amendments.
Proposed and Adopted Budgets Differences
Mayor’s Proposed Budget on Feb 1

- Operating budget funding sources totaling $17.1 B
- Capital budget and plan funding sources totaling $49.8 B (over 10-year period)
- The Mayor also allocated a total of $18.565 M to a “Budget Balancing and Bridging Reserve”
- A total of $8 M to “2024 emergent budget priorities” (i.e., funds available for allocation during Council consideration)

### Council Adopted Budget Amendments on Feb 14

<table>
<thead>
<tr>
<th>Amendment Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12.6 M for Toronto Police Service</td>
<td></td>
</tr>
<tr>
<td>$4.1 M for the Winter Windrow Clearing program</td>
<td></td>
</tr>
<tr>
<td>$200K for Black Creek Pioneer Village</td>
<td></td>
</tr>
<tr>
<td>$750K for additional By-Law officers</td>
<td></td>
</tr>
<tr>
<td>$970K for tree planting, pruning, and watering</td>
<td></td>
</tr>
<tr>
<td>$200K for outreach/implementation of the Home Energy Loan Program and Emissions Performance Standards</td>
<td></td>
</tr>
<tr>
<td>$400K for community safety, violence prevention, and wellbeing</td>
<td></td>
</tr>
<tr>
<td>$800K for Toronto’s Culture Sector including Toronto Arts Council, local arts service orgs</td>
<td></td>
</tr>
<tr>
<td>$500K for the Action Plan for Toronto’s Economy</td>
<td></td>
</tr>
<tr>
<td>$800K for Local Arts Service Organizations</td>
<td></td>
</tr>
</tbody>
</table>
City of Vancouver

Multi-Year Financial Planning
City of Vancouver

- Population is 675,218 in 2024 (13.2% of British Columbia)
- Vancouver is one of 161 municipalities in BC; there are 27 regional districts in BC
- Geographic size is 115 sq. km
- Metro Vancouver contributes 61% to provincial GDP
- Operating budget for 2024 was $2.2 B and approved on December 12; Capital budget was $367.8 M
City of Vancouver Budget Process, Timeline, and Actors

- **June**: Development of Budget Outlook by city staff
- **Late June**: Budget engagement with public
- **Aug.–Sep.**: Development of Departmental service plans
- **Sep.–Nov.**: CFO and staff develop draft budget
- **Nov.**: Mayor’s Budget Task Force Report Presented
- **Nov.**: Council receives draft budget from city staff
- **Dec.**: Council approves budget
Benefits & Drawbacks to Multi-Year Planning

- Fiscal stability and predictability
- Maintain city assets in good repair
- Proactive risk planning, mitigation, and management
- Keep property taxes and fees affordable and competitive

- Divergences between planning and actual spending for several reasons
Political Framework

Local Government Budget Actors

- Provincial Priority setters
- Outside Agencies
- Citizens Public
- Priority setters & Decision-makers Mayors & Councillors
- Guardians Finance Office/Department
- Priority setters Budget Committee
- Spender Department A
- Spender Department B
- Spender Department C
- Spender Department D
Key Take Aways

Local Budget Reform in Canada
Key Take Aways

1. Provincial legislators as key budget actors for reform – instigated by the province for all three case studies

2. Implementation and full optimization of reform will take time but can provide tools for other municipalities

3. Budget reform requires training, administrative considerations, and dedicated resources for success
Questions?