

Intelligence MEMOS



From: Nicholas Dahir and William B.P. Robson

To: Toronto taxpayers

Date: February 11, 2025

Re: **OPAQUE, CONFUSING AND LATE – TORONTO'S BUDGET MESS CONTINUES**

The proposed 6.9-percent property tax increase in the Toronto city budget for 2025 is a nasty shock – not least because it follows a 9.5-percent increase last year. What makes it worse is that Toronto's 2025 budget, like its predecessors in 2024 and earlier, is an opaque mess. Councillors are being asked to approve a fiscal plan that almost no one understands.

Toronto's fiscal year runs from January 1 to December 31. Meaning we are deliberating a budget for a year that started weeks ago. Taxes are being collected and spent without formal council approval, violating a key principle of representative democracy. That adds time pressure when city councillors and the people who elect them need more opportunity for clarification and debate.

To start with, councillors should ask to see the 2025 budget alongside the city's actual results for 2023 and its projections for the final 2024 results that will come out later this year. That is information well-run businesses and not-for-profits provide, and it is information that is readily available to other governments, notably the Ontario government. We should be seeing historical and projected key numbers – revenues, expenses and resulting bottom line – on a consistent basis.

Toronto's budget does not show these numbers. Most troubling, past and projected surpluses get no mention at all. Too few people know what is clear from Toronto's financial statements: It has consistently recorded more revenue than it has spent. In 2023, the city ran a [surplus of \\$1.25 billion](#). Add that to its past surpluses, and its accumulated surplus – its net worth, reflecting its capacity to deliver services – totalled \$33.7 billion. The minority who track these numbers would bet that when the books are closed for 2024, the city will report another healthy surplus. The absence of these numbers from the budget supports a narrative that Toronto's finances are dire and that its residents and ratepayers must either face reduced services or pay a whopping additional tax bill.

Toronto could show those comparative numbers in its budget, but it does not, because it presents its budget using different accounting than it uses in its financial statements. Toronto's financial statements follow public-sector accounting standards. That means that they consolidate everything the city controls to produce one statement of revenues, expenses and the bottom line. It also means that they amortize the costs of long-lived capital assets such as roads, sewers and transit infrastructure over the years during which the assets are in use.

The budget does not consolidate revenues and expenses in one statement. It shows dozens of slides and multiple spending numbers that even experts find hard to follow. Neither does the budget amortize long-lived capital assets. Instead, it shows potential outlays on capital as upfront costs – as though a subway train were gone after one use, like a cup of coffee. So capital projects appear far more expensive in the budget than they do in the financial statements, which is confusing, and can discourage long-term investments, and induce the city to raise too much revenue in advance for the projects that do proceed.

Ontario's strong mayor powers have made things worse. That legislation allows Toronto's mayor to propose the budget as late as February 1 – a month into the fiscal year. After that, councillors may raise objections or suggest amendments, but the budget can ultimately pass without a recorded vote. Add the challenge of a budget that is so hard to understand, and councillors' accountability for stewarding public funds is a fiction.

Toronto residents and councillors deserve a budget that is clear, timely and aligned with public-sector accounting standards. Better practices are within reach. Federal and provincial governments prepare their budgets using those public-sector accounting standards, and their budget projections are relatively easy to compare to their financial results. Toronto should follow suit. This would present a truer picture of the city's financial position, reduce the annual budget panic and foster more informed participation from both councillors and the public.

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