

Intelligence MEMOS



From: William B.P. Robson and Nick Dahir
To: Municipal Spending Observers
Date: June 19, 2025
Re: **LET'S GET OFF THE CHRONIC MUNICIPAL BUDGET CRISIS CAROUSEL**

An annual Canadian ritual starting just after New Year's is the panic over municipal budgets. Concerns about deficits and consequent spending cuts and tax increases dominate the headlines – "[Toronto](#) face property tax hike!" "[Vancouver](#) overspending on policing!" "[Montreal](#) to limit hiring!" "[Calgary](#) faced with tough choices!"

Then everything goes quiet. But ratepayers, users of services and elected councillors should stay alert. Over the summer and into the fall, municipalities release their financial statements. And the bottom line those statements invariably reveal – substantial surpluses – will surprise anyone who bought into the budget panic.

The audited financial statements that municipalities release after their year-ends get far less attention than budgets. That is too bad because they reveal much more—including how the results differed from projections, how much healthier the bottom line was than the budget debate suggested, and very often that property taxes could have been lower than they were.

Toronto's 2023 financial statements – the most recent available – would amaze anyone who followed Toronto's budget debates in the spring of that year. They showed a \$1.2-billion surplus, a weirdly robust result in a city that had been consumed by talk of a budget disaster. Even weirder, the financial statements included numbers from the 2023 budget that had not previously been published – numbers using the same accounting as the financial statements. They revealed that the budget prefigured a surplus of more than \$600 million, which was something nobody knew at the time.

Vancouver's financial statements for 2024 released this spring also showed an unexpectedly large surplus. This was not a total surprise – the budget had forecast a small one. The eyebrow-raising development was a dramatic overshoot in revenues: Collections of \$3.2 billion compared with \$2.6 billion budgeted. That would have been a useful fact for councillors and voters to know before raising alarms about the city's condition this year.

Montreal's 2023 financial statements showed a surplus of \$870 million. That was actually lower than the \$1.3-billion surplus the 2023 budget had projected. But who in Montreal knew, in the usual fiscal crisis talk in 2023 or 2024 or this year, that Montreal runs such large surpluses?

Calgary's most recent financial statements, for 2024, also showed a substantial surplus: \$1.1 billion. Its 2024 budget forecast no such thing. Only once the financial statements were out could Calgarians learn that the city's 2024 budget anticipated an even bigger surplus: \$1.3 billion – a projection it missed mainly because of spending overruns.

The common element in the surprises in these four cities – and in dozens of other cities across the country – is that municipal budgets and year-end financial statements are prepared using different accounting standards. Budgets, released at the start of the fiscal year, are prepared using cash-basis accounting, i.e., they record transactions as cash changes hands, treating long-lived capital assets as if they were one-off purchases. In contrast, financial statements follow Public Sector Accounting Standards (PSAS), which amortize long-lived capital assets like roads, bridges and subways as they deliver their services. This systematic inconsistency means budget plans debated at the start of the year do not reflect the most recent financial results. Hence the chronic perception of crisis.

Budget season should be an opportunity for the public and councillors, as stewards of public funds, to scrutinize past performance. Why did the city miss its revenue and expense targets? Perfect accuracy isn't required. Stuff happens – a strong or weak economy will affect taxes; a heavy snow season might affect expenses. Or persistent under- or over-shoots might reveal structural issues, forecasting weaknesses, and other vulnerabilities that may require attention. Either way, accurate information should be the basis for judgment. Knowledge of past surpluses would foster less frightening rhetoric at budget time. All that would be possible if cities used the same accounting in budgeting that they do in reporting.

Ottawa and the provincial governments present both their budget projections and their end-of-year financial statements using the same accounting, enabling apples-versus-apples comparisons of past results and current plans. Canadian municipalities should do the same. Consistent accounting in budgets and financial statements would put projections in context and provide a clearer, more consistent picture of municipal finances, allowing deliberations to focus less on panic and more on actual performance.

Meanwhile, Canadians concerned about their city's finances should not let their attention wander during the summer lull. With the budget panics over, we are about to see the results. If we ask the right questions about those results – and get city staff to give straight answers about how much money the city actually raises and spends – the 2026 budget season might be less of a panic.

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