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A Modernized Toronto Budget Design V.1

The search for an optimal design for the Toronto operating budget

Henrik Bechmann, March 14, 2018.



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Introduction

Budgetpedia has been working since the summer of 2015 to help make the Toronto budget more accessible to the people of Toronto. Along the way, we found that the budget would be clearer if it used a more conventional, modern design. So here is version 1 of our modernized prototype, for consideration.

We think the best design possible would flow from categorizations that most people find the most useful. Therefore it should be developed by consensus, particularly among the most intensive users: City managers, City Councillors and their staff, civil society organizations, journalists and bloggers, and community activists. We offer the design in this paper as a contribution to that process of consensus.

Why do this? Our proposition is that a clearer budget would be more usable, therefore would lead to better decisions, and therefore would lead to improved efficiencies and effectiveness. This is nothing new - it's budgeting 101.

Now more than ever transparency is the bedrock, and perhaps the last bastion, of accountability in government. We think that transparent, accessible, granular budgets support informed debate about public policy.

We use the 2017 budget data for this prototype, as overall we have the best data for that year. Even so, we've had to use quite a bit of estimation. Though the City provides a lot of data, there would have to be substantial improvements to fully support a modernized budget design.

For details see the spreadsheet we used [here](#). We welcome comments! mail@budgetpedia.ca.



The Expenses Core Budget

This is the lead concept of our prototype. The concept of a *core expense budget* is simple and very easy to relate to. It's the cost of staff needed to run the City on a day-to-day basis, plus the costs of consumable goods and services needed to support them. It is the *direct costs* incurred to provide the City's services. It amounts to about two thirds of the City's budget.

Here are some examples. The wages for City workers, and the operating costs for things they need to do their jobs, like pencils, gas, heat, office costs, is what we mean by the *expenses core budget*.



Here are the numbers:

2017 Expenses Core Budget by Expense Category

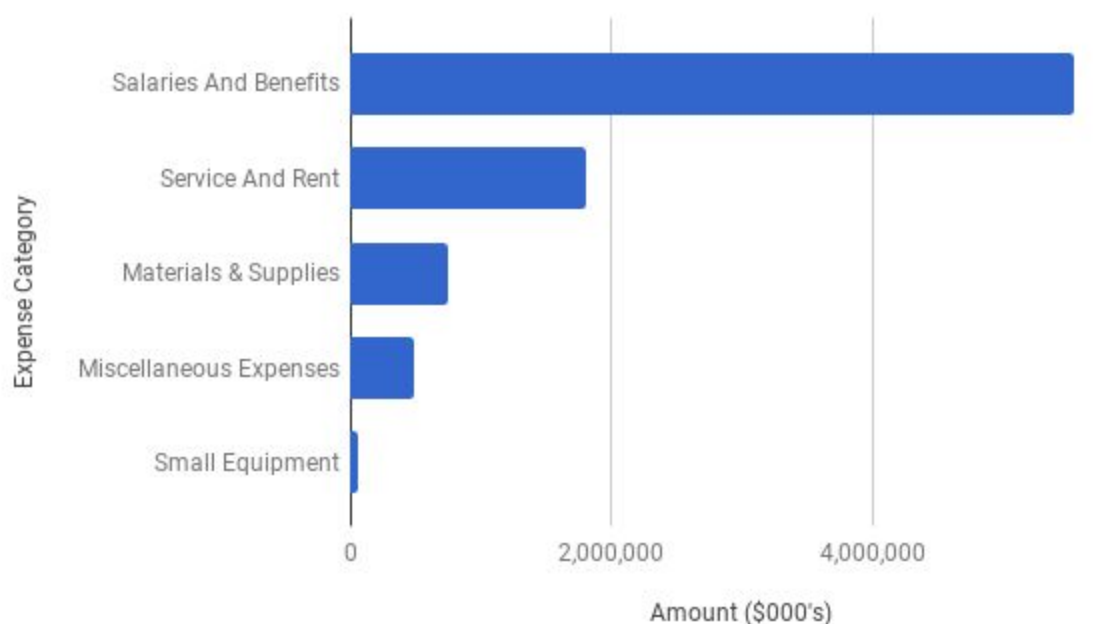


Chart 1. Source: [Henrik Bechmann](#)

Expense Category	Amount
Salaries And Benefits	5,542,122
Service And Rent	1,804,726
Materials & Supplies	740,463
Miscellaneous Expenses	482,544
Small Equipment	61,369
Total	8,631,225

These are the numbers behind Chart 1.

Benefit: It's easy to recognize these expenses. Walk into a streetcar, and it's the conductor and the cost of operating and maintaining the streetcar. See a police car, and it's the cost of the police man or woman and the cost of operating and maintaining the car. And so on.

Here are the same numbers distributed over service clusters:

2017 Expenses Core Budget by Service Cluster

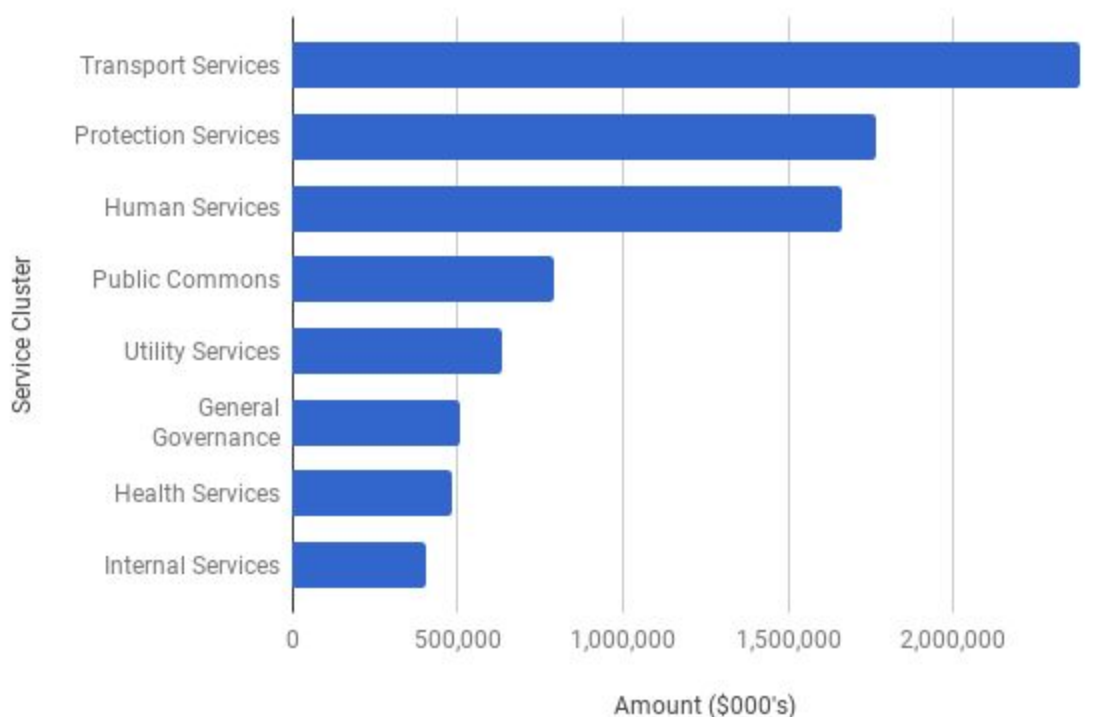


Chart 2. Source: [Henrik Bechmann](#)

These service cluster categories were previously developed by the Budgetpedia project (see [here](#) and [here](#)). We've included a placeholder for -- estimates of -- the whole TCHC budget in these numbers (with Human Services), to conform to the audited statements.

Service Cluster	Amount
Transport Services	2,381,867
Protection Services	1,764,180
Human Services	1,665,141
Public Commons	791,656
Utility Services	633,386
General Governance	508,414
Health Services	481,439
Internal Services	405,142
Total	8,631,226

These are the numbers behind Chart 2.

Obviously these clusters can, and should, be further decomposed into main programs and further... right down to the Cost Centre level. The City has about thirteen thousand cost centres.

Imagine being able to stand in front of your local park or community centre, or police station, or fire station, etc., and conjuring up these kinds of costs!

An Aside: About Service Clusters

Here are some infographics about the service clusters mentioned above. We developed these about a year ago. We've changed the categories, and some of the names, a little since then, but not much.


General services (commonly used), about \$4.9B - 24,073 staff

Utility Services (2,866 staff for waste/water - \$1.63B)			City Commons (7,520 staff - \$0.83B)	
				
Waste	Water	Electricity (owned)	Parks Forestry, Rec Arena Boards Assn of Comm Ctrs	
Transport Services (13,686 staff - \$2.44B)			Libraries	
				
Roads (Transportation Division)	Parking	Transit/Wheeltrans	Exhibition Theatres Zoo Yonge-Dund Attractions	
			Conservation Heritage Conservation	

Citizen support services (getting help), about \$4.6B - 20,692 staff

Emergency Services (12,761 staff - \$1.83B)			Health Services (4,187 staff - \$0.5B)	
				
Police Police Board Court Services (Parking Tags)	Fire	Paramedics	Public Health	
Human Services (3,744 staff - \$2.32B) See portal				
				
Income Support (Employment and Social Services)	Housing Support	Children's Services	Long Term Care	

Administrative services (getting organized), about \$2.6B - 6,479 staff

General Governance (3,725 staff - \$0.53B)			
 <p>City Council Mayor Clerk Accountability Officers</p>	 <p>City Manager CFO Treasurer</p>	 <p>Planning (Urban design) Buildings and Infrastructure Neighbourhoods and Youth Business and Culture (Financial Planning)</p>	 <p>Building codes Municipal codes</p>
General Management		Planning & Development	Civic Enforcement
Internal Services (2,357 staff - \$0.52B)			Corporate Accounts (\$1.6B)
 <p>Facilities; Fleet;</p>	 <p>Engineering; IT;</p>	 <p>Legal; 311</p>	 <p>Finances (397 staff for parking tags)</p>

The Expenses Operating Budget

We then build on the *Core Expenses Budget* with financial assistance amounts, and general corporate overheads, to produce the full *Expenses Operating Budget*, as follows. This budget is more the concern of senior management.

Note that *Direct Financial Assistance to Persons* is (estimated) *Income Subsidies* and *Child Care Subsidies*. These are pass-through amounts, and so aren't part of the *Expenses Core Budget*. For subsidized housing, we've added all operating costs of TCHC to the core budget to be consistent with the audited statements.

2017 Expenses Operating Budget

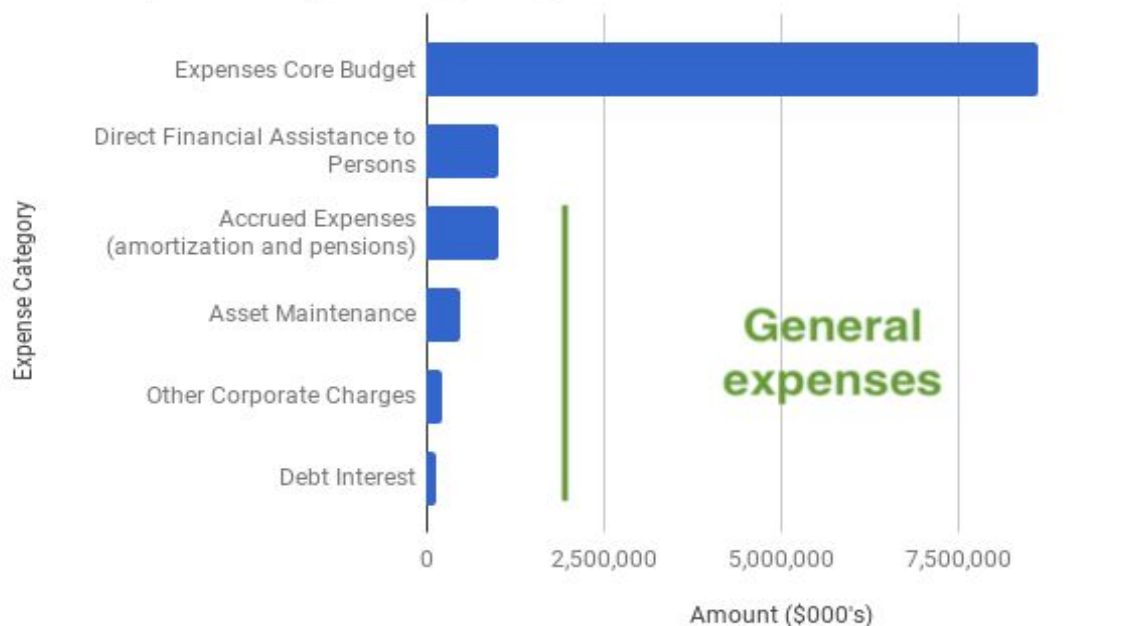


Chart 3. Source: [Henrik Bechmann](#)

Category	Amount
Expenses Core Budget	8,631,226
Direct Financial Assistance to Persons	1,000,000
Accrued Expenses (amortization and pensions)	1,007,500
Asset Maintenance	456,020
Other Corporate Charges	200,863
Debt Interest	134,006
Total	11,429,615

These are the numbers behind Chart 3.

Generally, we can think of the *Operating Expenses Budget* as adding corporate overheads to the *Core Operating Budget* and *Financial Assistance to Persons*.

You could make a case for including asset maintenance in the core budget.

The Revenues Core Budget

Turning to the revenue side now, City services raise about half the revenue they need through direct charges and dedicated grants. Here are the ways they do that.

2017 Revenues Core Budget by Revenue Category

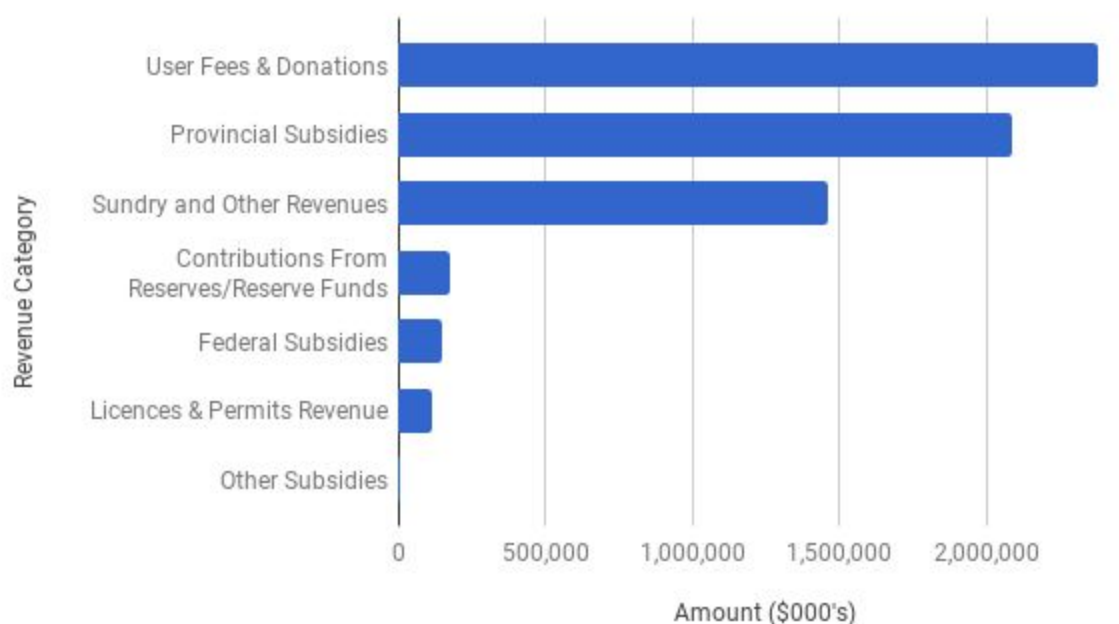


Chart 4. Source: [Henrik Bechmann](#)

Category	Amount
User Fees & Donations	2,378,834
Provincial Subsidies	2,088,801
Sundry and Other Revenues	1,459,977
Contributions From Reserves/Reserve Funds	172,795
Federal Subsidies	147,399
Licences & Permits Revenue	110,167
Other Subsidies	537
Total	6,358,511

Here are the numbers behind Chart 4.

The next chart shows where those direct charges and dedicated grants are raised, by service cluster.

2017 Revenues Core Budget by Service Cluster

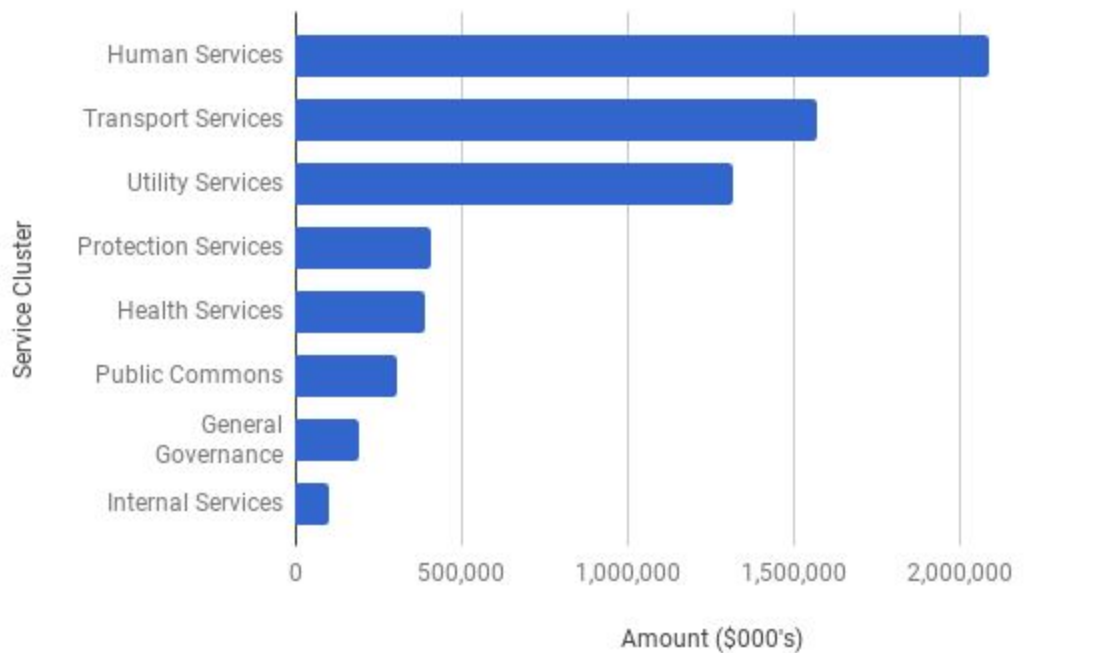


Chart 5. Source: [Henrik Bechmann](#)

Service Cluster	Amount
Human Services	2,082,749
Transport Services	1,565,846
Utility Services	1,313,854
Protection Services	409,074
Health Services	390,125
Public Commons	304,381
General Governance	190,420
Internal Services	102,062
Total	6,358,511

Here are the numbers behind chart 5.

The Revenues Operating Budget

The direct charges and dedicated grants of the *Revenues Core Budget* are augmented by general, corporate-wide revenues to create the overall *Revenues Operating Budget*. This budget defines the availability, and constraints, of operating funds for the year.

2017 Revenues Operating Budget

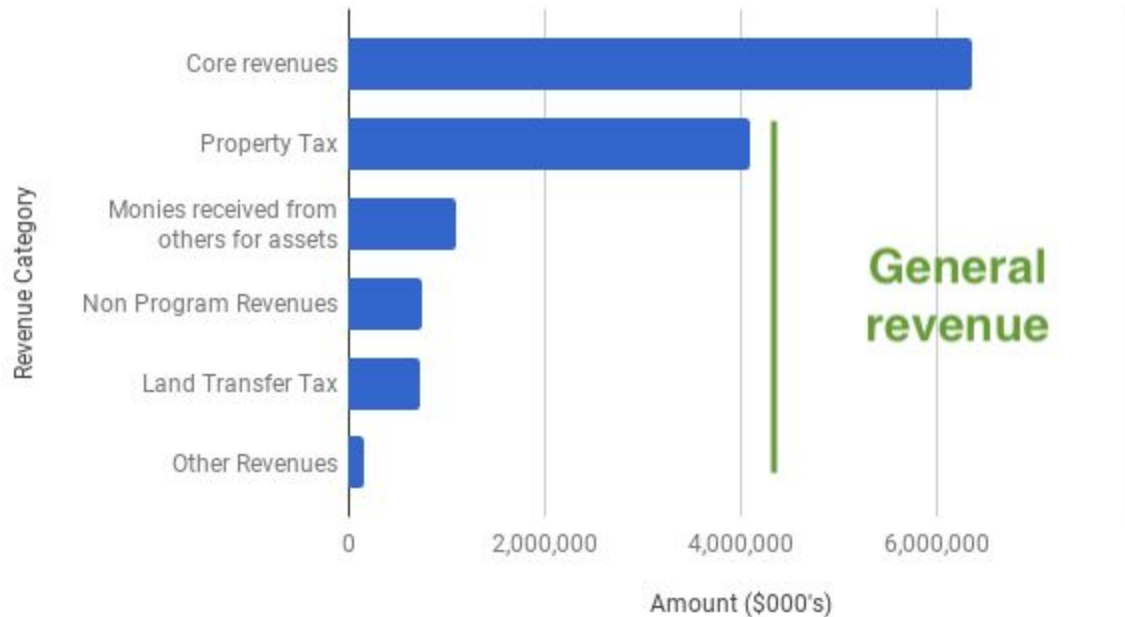


Chart 6. Source: [Henrik Bechmann](#)

Category	Amount
Core revenues	6,358,511
Property Tax	4,087,125
Monies received from others for assets	1,086,857
Non Program Revenues	737,417
Land Transfer Tax	715,810
Other Revenues	143,148
Total	13,128,868

Here are the numbers behind Chart 6.

Notice that the revenues operating budget (13,128,868) is quite a bit higher than the expenses operating budget (11,429,615). This is deliberate, to allow some money every year for capital investments (savings, and improvements and purchases of major assets). It happens every year.

Now for the overall budget. Here is how that money from revenue is distributed. Notice that there's quite a bit for capital, as well as money for ongoing expenses. This is (sort of) the operating budget that has to be passed by City Council. Except this is clearer.

2017 Revenue Distribution Budget

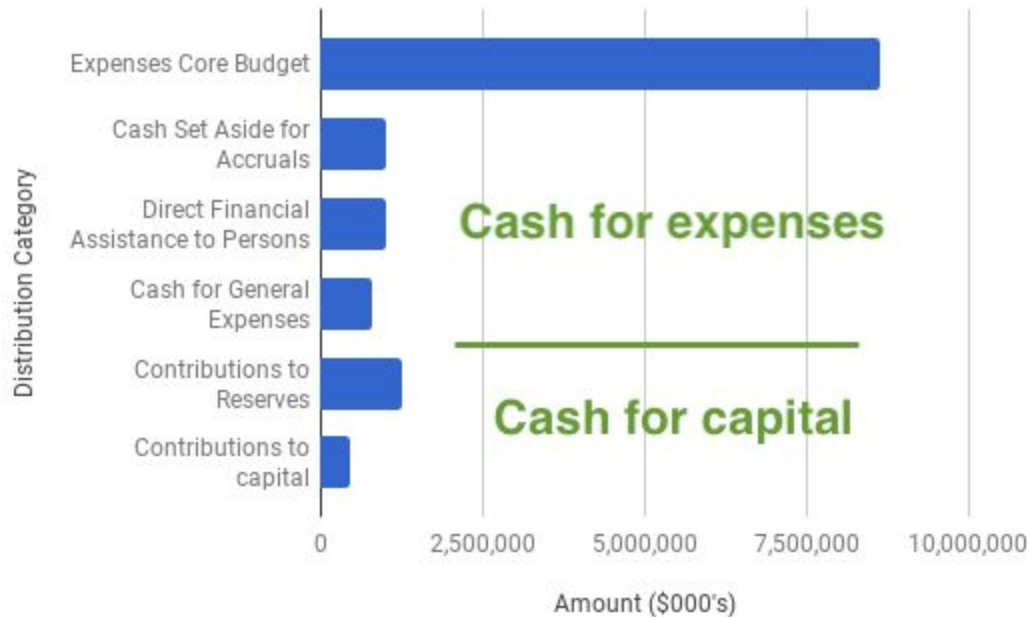


Chart 7. Source: [Henrik Bechmann](#)

Distribution Category	Amount	Subtotals
Expenses Core Budget	8,631,226	
Cash Set Aside for Accruals	1,007,500	
Direct Financial Assistance to Persons	1,000,000	
Cash for General Expenses	790,889	11,429,615
Contributions to Reserves	1,265,308	
Contributions to capital	433,945	1,699,253
Total	13,128,868	

Here are the numbers behind Chart 7.

Appendix 1: Reconciliations to the published Toronto 2017 budget

Expense budget:

Expense budget, Chart 3		11,429,615	
<i>Reverse imports:</i>			
TCHC unsubsidized expenses	300,000		estimated from audit worksheet
Accruals	1,007,500		from City report estimating accrual effects (855,000 + 150,000 + 2500)
Asset maintenance	456,020		from City report estimating accrual effects
Principal repayments	(395,000)		from City report estimating accrual effects
Transfers from capital	(177,680)		from City budget revenues, to reverse City inclusion of Capital in Operating
		(1,190,840)	
<i>Subtotal</i>		10,238,775	
<i>Add back omissions:</i>			
Contribution to capital	296,058		subsumed in distribution of revenue
Contribution to reserves	1,265,308		applied in distribution of revenues
Inter-divisional charges	301,545		ignored in prototype (double counted)
Contra revenues	300,000		estimated from audit worksheet
<i>Subtotal</i>		2,162,911	
Agree to City Budget		12,401,686	

Revenue budget:

Revenue budget, Chart 6		13,128,868	
<i>Reverse imports:</i>			
Revenue for TCHC unsubsidized expenses	300,000		estimated from audit worksheet
Revenue reduction for contra-revenues	(300,000)		estimated from audit worksheet
Monies received from others for assets	1,086,857		from City report estimating accrual effects
Impact of Government Business Enterprises	120,000		from City report estimating accrual effects
Impact of Contaminated Sites	1,500		from City report estimating accrual effects
		(1,208,357)	
<i>Subtotal</i>		11,920,511	
<i>Add back omissions:</i>			
Inter-divisional recoveries - operations	265,663		ignored in prototype (double counted)
Inter-divisional recoveries - corporate accounts	37,832		ignored in prototype (double counted)
Transfers from capital	177,680		to reverse offset for City inclusion of Capital in Operating
<i>Subtotal</i>		481,175	
Agree to City Budget		12,401,686	

Appendix 2: References

We've used the following sources in the preparation of this prototype:

- open data portal [budget data](#), as found [here](#) ("Approved Operating Budget Summary 2017")
- a ton of [spreadsheet calculations](#) (tens of tabs)
- city report estimating [accrual effects](#) (see table page 6)
- City [audit worksheet](#), obtained through FOI
- City [summary budget](#)

Attribution

Henrik Bechmann is the founder and lead of the Budgetpedia project (2015), and the founding Executive Director of Open Budgets Canada (2018).

