

## Better Budget Day Briefing Note

### Idea: Budget as Vision

#### Idea description and case for change

The budget should be much more than an accounting exercise. It should be about the kind of city we want to live in. As arguably the most important policy process in city government, the budget is a good opportunity to create or update a shared vision for the city, as well as a strategy for how city government can help fulfill that vision.

What does it mean to make the budget more visionary? There are potentially several elements to this:

- Focusing more on the long term, rather than simply trying to close the fiscal gap for the coming year
- Starting budget discussions with questions such as “what kind of city do we want?”, “what are our policy priorities?”, and “how should our organization evolve to meet today’s challenges?”, rather than starting with the question of what the acceptable property tax rate would be
- Focusing on policy and public-service outcomes in addition to on dollars spent
- Making sure the allocation of public dollars is aligned with the priorities of City Council

#### Background

- Two major City of Toronto documents current exist that speak both to long-term planning and strategy / vision for the City
  - The **Long Term Fiscal Plan**, which was approved in 2005 and which addressed expenditures, revenues, and assets and liabilities. The City is planning to update the Long Term Fiscal Plan in 2014.
  - **Council’s Strategic Plan**, which was approved in 2002 and includes a mission and vision statement, 20 goals for City quality of life, and 19 directions and suggested actions. The Strategic Plan is currently being updated.
- The City’s capital budget (for infrastructure) occurs on a 10-year planning horizon and is updated every year. The 2013-2023 Capital Budget is \$15.3 billion.
- As part of the 2014 Budget process, City Council introduced a review of service levels within each division of the city. The reviews are being done within the various Standing Committees of City Council.

#### Examples from other places

- Using a participatory process, **Calgary** developed a 100-year vision for the city, imagineCALGARY. That vision, through a 10-year “Sustainability Direction,” guides the regular review of city services, which is translated into the city’s three-year business plan. To develop the city’s 2012-14 business plans and budgets, Calgary City Council held 9 strategic planning meetings between January and

June 2011. The 2012-14 business plans and budgets were not approved until November 2011.

- **Helsinki** City Council develops a “strategy programme” at the beginning of each council term. The strategy programme addresses the City’s central objectives and the most important steps in the upcoming Council terms. This programme, which Council can review mid-term if required, is the main premise underlying the budget process, and is included in a general section of the budget each year.
- **Vancouver** has recently implemented a multi-year horizon for financial planning involving a ten-year financial planning framework, a three-year financial plan, and combined annual and capital budgets.
- **Sunnyvale**, California (a city of 140,000 in the San Francisco area) has a General Plan that looks 5 and 20 years into the future, and then creates a Resource Allocation Plan, a 10-year budget designed to accompany the General Plan. Sunnyvale’s approach to strategic planning and budgeting was profiled in the popular book, *Reinventing Government* by David Osborne and Ted Gaebler.

### Potential policy levers

- **More frequent, regular strategic plans for the city:** Rather than updating the city’s strategy document on an ad-hoc basis (the current one hasn’t been updated since 2002), update it once per Council term, with mid-term adjustments as required. If the refreshed strategy document is completed in Council’s first year after an election, then the budgets that follow could all be tied back to that strategy document, with specific linkages between the two. This follows the process used by Helsinki’s City Council. A process of more regular updates could also be used with respect to the City’s Long Term Fiscal Plan.
- **Changing how the budget process begins:** Currently, one of the first steps in the budget process is for the Mayor to write a letter to the City Manager outlining what an acceptable property tax increase would be for the coming fiscal year. The scope of this direction to City Staff could be broadened so that it also focuses on proposed budget themes, policy initiatives, target service levels and policy outcomes, and spending priorities. To facilitate better engagement from the public and from City Council, this initial step in the budget process could also be broadened to include public hearings and/or Council debates about what the City’s priorities should be over the coming year. These debates / hearings could then be used to inform the Mayor’s letter to the City Manager.
- **Multi-year budgeting:** Rather than allocating funds for the year ahead, the city could provide divisions with funding for a multi-year time period (e.g., 3-5 years), which could be subject to revision in future years. This would allow more advance planning, and would also require parts of the city government to take a longer-term perspective on their programs.
- **Property Tax Indexation:** As part of the current budget process, the City sets the property tax rate each year, based on the amount of revenues that are needed to close the fiscal gap. This makes long-term planning difficult, since divisions do not know more than a year in advance what the city’s revenue base will look like. It also helps create an unduly narrow focus on the property tax rate, rather than a

broader debate about what the city needs. It also helps fuel a misperception that Council is raising taxes, when in fact the actual property tax rate has been going *down* over time (this is why property tax revenues have been increasing more slowly than sales or income tax revenues at the federal and provincial levels; those tax rates stay constant while incomes and the price of goods and services rise each year). Alternatively, property tax revenues could be indexed to a rate of growth that is acceptable to City Council. Council could still retain the ability to adjust this rate of increase up or down each year, but having a default indexation of property tax could help facilitate a more balanced debate about the city's finances and a more long-term approach to planning by city divisions and agencies.

### **What products will we create together during Better Budget Day?**

We want to try and define a **roadmap towards a more visionary budget**. This will involve creating three products:

1. Develop a **broader set of principles / lenses** (beyond a financial accounting perspective) through which to judge the quality of a budget; what characteristics should we look for in a more visionary budget?
2. Design a **vision and strategic planning process** for the city
  - What plans should be developed, when, how, and by whom (role of elected officials vs. city staff vs. citizens)?
  - What should these plans contain?
3. Generate a list of **specific policy / public administration levers** to make the budget more strategic and visionary, e.g.:
  - Property tax reform
  - Accounting practices
  - Outcome measurement / tracking
  - Changes to provincial legislation or the municipal code