

TORONTO STAFF REPORT

July 20, 2004

To: Budget Advisory Committee
From: Chief Financial Officer and Treasurer
Subject: City of Toronto Budget Process Recommended Improvements

Purpose:

This report recommends improvements to the budget process and discusses changes made in the budget process since amalgamation. It also compares the City of Toronto process with those of other local governments and budgeting standards recommended by the Government Finance Officers Association (GFOA) of North America.

Financial Implications:

There are no financial implications directly arising from this report. However, the recommended changes to the budget process will result in improved financial planning. There are clear links to Council's strategic plan and program area business planning. Planning takes place over a longer-term horizon, with multi-year financial and operating plans and a firm 5-year capital plan. The focus of the budget review is on service priorities, with service level trade-offs within a fiscal framework. Finally, the proposed budget process requires Council to provide up-front directions and endorsement of corporate strategies, guidelines/targets and budget priorities.

Recommendations:

It is recommended that:

1. The budget process described in detail in Table 1 of this report be approved and forwarded to the Policy and Finance Committee for its consideration; and,
2. The appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Background:

At its meeting of May 25, 2004 the Budget Advisory Committee requested the following:

That the Chief Financial Officer and Treasurer report to the next meeting of the Budget Advisory Committee with recommendations on how the budget process can be improved for the 2005 budget cycle; such report to include a description of how the budget process has changed since amalgamation.

In addition to the above, the Budget Chair requested that the CFO and Finance staff provide a “review of best practices in other jurisdictions including a sampling of those elsewhere in Canada, the USA and similarly sized jurisdictions elsewhere.”

The City’s budget process has been designed to comply with generally accepted budgeting principles as well as budgeting practices recommended by North American-based GFOA. Comparison with other local governments disclosed many similarities and consistencies with the City of Toronto. Areas requiring improvements to the financial planning process include: development of revenue forecasts and relevant policies; development of long-term fiscal plans; implementation of multi-year financial and operating plans and approval of 5-year capital plans; and, well designed public consultation processes to ensure that community priorities are incorporated into the budgets. Appendix 1, which is an integral part of this report, discusses compliance of the City’s financial planning process with GFOA recommended practices and compares the City’s budget process with other jurisdictions, in more detail.

This report proposes a budget process for the City of Toronto that incorporates improvements to address the weaknesses identified above, and fully integrates the budget practices recommended by the GFOA. Several of the new elements or changes proposed can be implemented immediately (as illustrated in Table 1). Other recommended changes cannot be effected with the 2005 budget process, either because the appropriate tools or mechanisms to do so are not in place, or because a longer preparatory period is required.

Comments

GFOA Recommended Budgeting Practices

The Government Finance Officers Association (GFOA) has established best budgeting practices and a budgeting framework for State and Local Governments in North America. Although the practices are “not intended to be mandatory prescriptions for governments” they have been adopted by many jurisdictions. In fact, these practices have become the standard against which individual governments wishing to qualify for the annual budget awards presented by the Association are measured.

GFOA defines a good budget process as one that “*consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.*” Further, it considers a good budget process as one that:

- Incorporates a long-term perspective;
- Establishes linkages to broad organizational goals;
- Focuses budget decisions on results and outcomes; and,
- Provides incentives to government management and employees.

More than balancing revenues and expenditures on a one year at a time basis, a good budget process “encompasses a multi-year financial and operating plan that allocates resources on the basis of identified goals.” Its focus must be more on providing incentives and flexibility to managers for the purpose of improving service/program delivery, efficiency and effectiveness, *than on the traditional concept of line item expenditure review and control.*

GFOA asserts that the central goal of the budget process is “to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.” Stakeholder participation, it emphasizes, is of paramount importance to a successful budget process. The importance of stakeholder participation is evident in the following attributes of a good budget process as proposed by GFOA:

- Identifies stakeholder issues and concerns;
- Obtains stakeholder support for the overall budgeting process;
- Achieves stakeholder acceptance of decisions related to goals, services, and resource utilization; and,
- Reports to stakeholders on services and resource utilization ... and serving generally to enhance the stakeholders’ view on government.

Discussions with staff, and analysis of the budget process and budget documents of several local governments confirmed that, like the City of Toronto, they generally comply with GFOA recommended budget practices – albeit with varying degrees of excellence (see Appendix 1). Though they differ in methodology and detail, all jurisdictions demonstrated compliance with the recommended elements and practices, and included public consultations as a key step in their budget process. Also, it was quite evident that long term fiscal and program plans, corporate strategic plans as well as annual guidelines and priorities of their individual council or other relevant legislative body guided the development of the budget in a definite way.

How the City of Toronto Compares with Other Jurisdictions

As indicated in Appendix 1, the City of Toronto complied, in a general way, with prescribed GFOA recommended practices. Nevertheless, comparison with other jurisdictions indicated certain weaknesses that should be addressed beginning with the 2005 budget process. In particular, other jurisdictions tended to have well defined strategic plans that clearly prescribed up front, corporate goals and objectives, as well as priorities of the legislative body and community they served. All have revenue forecasts that span several years and precede decisions on expenditures, and all had well defined revenue policies. Most of the jurisdictions examined tended to develop long-term strategies and long-term fiscal plans. They linked the budget process to the corporate plan, long-term fiscal plan and business plans (see linkage between the Planning and Budgeting Process of the City of Melbourne, Australia in Exhibit 1 of Appendix 1).

Most jurisdictions undertook a public consultation initiative to help prioritize services and inform budget decisions in an instructive and prescriptive way. Public consultation tended to be a critical part of their process to determine where scarce resources should be focussed, and in helping local governments establish strategies for increasing revenues or cutting services. A brief summary of the use of public consultation (discussed in more detail in Appendix 1) in the City of New York and the City of Vancouver, British Columbia follows:

(i) New York City

The City of New York budget process requires the Mayor to first submit a preliminary budget to Council no later than on January 16. Then, by April 26th of each year the Mayor must submit to Council a proposed executive budget, along with supporting schedules that outline all the

proposals in the executive budget in detail. Both the preliminary and executive budgets are subject to public consultation. As part of its responsibilities under the New York City Charter, Council must issue its findings and recommendations related to the preliminary budget, along with a summary of all the budget hearings held by each of the Council's committees including an outline of the issues raised, recommendations and requests made by each committee.

(ii) Vancouver, British Columbia

To help develop options to deal with budget shortfalls, the City of Vancouver has been conducting public consultations since 1997. In part, the purpose of these public consultation initiatives is to develop the most acceptable course of action to deal with fiscal challenges and to understand the public views on how to collect additional revenue and how to allocate funds available.

For 2004, Vancouver's public consultation process included a public opinion survey undertaken by a local polling company, a "City Choices 2004" process involving an information flyer, a message line and e-mail box for comments and a mini-questionnaire that could be faxed or mailed back to the City, and two Mayor's Forums focusing the budget discussion on two themes:

- i Poverty, Homelessness, and Provincial Offloading
- ii Crime and Safety

Findings of the public consultation were very instructive and useful in helping the Vancouver City Council make key decisions on service priorities and fiscal options. Excerpts from the Key Findings section of the report to the City of Vancouver Council confirm the specificity and instructiveness of the results of the 2004 public consultation initiative which are discussed in Appendix 1. The 2004 report specifically addressed:

- *Satisfaction with Quality and Value of Services from the City of Vancouver;*
- *Support for Revenue Options to Deal with Shortfall;*
- *Price Sensitivity to Property Tax Increases; and,*
- *Priority Issues for Budget Allocation.*

User fees appear to be an acceptable alternative as a way to raise some revenues and maintain services; these are generally preferred to cutting services and raising taxes.

City of Toronto's Public Consultation Process

As a rule, the City of Toronto provides opportunity during the political review process for the public to depute on the budget. In 2004, the Mayor of the City of Toronto began a public consultation process - *Listening to Toronto* - aimed at getting direct input on services that are important to public. The consultation was very well received by the public and elicited very useful public perspective on City services that are important to residents and that should be preserved. In an incremental way, the City of Toronto's public consultation process will grow to generate instructive directions on priority setting and fiscal choices, which will help Council make decisions to deal with its fiscal challenges and the demands of all stakeholders. This is recommended as a key element of the 2005 and future budget processes.

Changes Since Amalgamation

Since amalgamation, the budget process has improved in an incremental way. For instance, the City adopted a process that segregates the Base Budget from the Expansion Budget for review and decision making purposes. In so doing, it is now possible to review and approve the base budget based on clear understanding of the reasons for increases over the prior year. The base budget is determined by adjusting the prior year approved budget for personnel cost increases (COLA, step and merit increases and benefit cost increases), inflation and annualized impacts of initiatives or services implemented with partial funding part-way through the prior year. This approach enables decision-makers to validate the base budget quite readily and to resolve any issues around the cost of providing the prior year services and service levels. Expansion budgets are generally supported by business cases including links to strategic plans, and are presented to Council and Committees as decision packages, clearly distinct from the Base Budget. In the interest of timely approval, this approach enables Council to approve a base budget and to deal with the expansion budget as separate issues.

Performance measures were introduced as a key element in developing the annual operating budget. In order to assist Council in resource allocation decisions, the focus has shifted to results/outcomes, thus requiring programs to indicate what will be produced or achieved with the resources provided for service delivery. While still evolving, the shift to results-oriented budgeting holds management accountable both for the inputs allocated to their programs and expected the results / outcomes.

A new capital budgeting and planning application was developed in order to capture information critical to ensuring that the highest priority capital projects were approved annually. The CAPTOR application supports staff's development of a long-term capital plan and the assessment of its feasibility and financial implications thereof. It is useful for providing multiple views of the detailed capital plan and supports decisions on affordability and on the allocation of scarce resources based on project priorities.

A more significant role has been given to the Standing Committees, who now perform reviews of budget submissions of programs within their mandate and make recommendations to the Budget Advisory Committee.

The City of Toronto Budget Process

Since 1998, the City's budget process has been evolving and now substantively complies with the best budgeting process and practices set out by the GFOA. The City's budget process continues to be a strategic financial tool that enables Council to:

- Deal with fiscal challenges of increasing service demands under a constrained revenue base;
- Identify issues critical to help Council formulate its corporate goals and objectives, and to put fiscal context on the corporate decision making process;
- Determine the financial and service level impact of Provincial downloading initiatives;
- Allocate scarce resources to maintain the City's infrastructure in a State of Good Repair, and provide expansion opportunities to satisfy growing community demands; and,
- Establish long-term capital program debt financing and sustainability limits.

The 2003 and 2004 budget process emphasized the need for increased focus on services, service levels and services outcomes. City Programs and ABCs more clearly described the services and service levels that would be provided for the resources requested. In addition, gaps between available resources and enhanced or expanded service demands were clearly described as part of the expansion budget decision package. The base budget was submitted as a separate package and included information about base level services. Any enhanced / expanded change to services and/or service levels in the base budget required decision packages supported by justification in the form of a business case.

Performance measurement and benchmarking continue to be critical to the successful transition to outcome or performance based budgeting. Programs will continue to build on prior years' experience and to demonstrate improvement in their performance levels, particularly their efficiency and effectiveness in service delivery.

As noted above, a comparison with recommended best practices suggests that there are areas of weakness in the City of Toronto's financial planning and budgeting practices. Table 1 highlights key elements of the City's budget process for 2005 and beyond. Every effort continues to be made to ensure that the City of Toronto budget process incorporates all key elements and budget practices recommended by the GFOA.

	Key Budget Element	Implementation Strategy	Budget Cycle
1.	<p>Council should develop and disseminate goals and objectives and should endorse targets and guidelines up-front / early in the budget process</p> <p>Council should assess community condition, needs, priorities, challenges and opportunities and should include them in the budget guidelines and policy directions to staff.</p>	<p>Annually Council will reaffirm service priorities, along with strategic goals and objectives, which will guide staff in the development of the capital and operating budget. Priority setting should be informed by public consultation.</p> <p>Council's (budget) priorities will be identified early in the first year of the term of Council to guide the medium and long-range fiscal planning, and the budgeting process. These priorities may be re-aligned annually based on changing fiscal environment and community needs. The prioritized strategic directions, once approved by Council, will be incorporated into the departmental and sectoral plans as well as program work plans.</p> <p>Budget guidelines and service priorities will be endorsed by Council. Budget targets will be based on affordability and Council priorities and should be communicated to ABCDs in a timely fashion to ensure City-wide consistency in budgeting.</p> <p>Affordability Targets for the Capital Budget and 5-year Capital Plan will be based on the condition of capital assets, revenue forecasts as well as property tax and debt policies. Affordability envelopes will be allotted to programs based on Council prescribed priorities; fiscal/credit rating constraints and 5-year Capital financing policies.</p>	<p>Incremental development starting in 2005</p> <p>2005/2006</p> <p>2006</p> <p>2005 - for 2005 Capital Budget</p> <p>2006 for 5-year capital plan and targets</p>
2.	<p>Programs, services and capital assets will be assessed in order to identify issues, opportunities and challenges that could affect their provision in the future.</p>	<p>ABCDs will assess programs and services to confirm that base service levels meet Council priorities/directions, in concert.</p> <p>Program information including mission, goals and objectives, major service descriptions, service efforts and accomplishments, expected outcomes and performance measures; demand for services and future outlook will be included in budget submissions.</p> <p>Program/service maps and service inventories will be developed as a key requirement ensuring that Council and community priorities and needs are</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>

TABLE 1			
	Key Budget Element	Implementation Strategy	Budget Cycle
		<p>met.</p> <p>A process for inventorying and managing capital assets with an objective of determining their need and assessing their condition will be developed. This process must address the future capital spending needs in context of the corporate strategic plan, community needs and priorities, economic and demographic forecast and service demands. (This is critical to ensuring compliance with PSAB standards, which may be mandatory by 2007.)</p>	<p>Beginning in 2005</p> <p>2006</p>
3.	There must be appropriate information to support decision-making.	<p>Multi-year financial and operating plans that identify budget activities, performance measures will be developed and included in the budget submissions to Council. Linkage and alignment of programs, services and activities to Council's priorities will be established by 2006.</p> <p>Members of Council will have regular and supplementary briefings on an on-going basis as to the process, priorities and strategies.</p> <p>Standing Committees will do in-year reviews of service levels, performance measurements and fiscal outlooks for each program.</p> <p>The BAC will identify City Programs / ABCs for detailed review on an annual basis. This review will examine the respective programs / services; evaluate budgeted resource requirements versus results / outcomes proposed, and confirm that services are produced in an effective and efficient manner in the context of historical and future trends and issues.</p> <p>A financial planning and budgeting system that supports: the planning and budgeting process; a database for maintaining service level and performance measurement data; and an assortment of non-numerical/financial data. The new system should be able to do simulation/scenario analysis, predict outcomes and produce standard or ad hoc reports in a timely and efficient manner.</p>	<p>2006</p> <p>2005</p> <p>2005</p> <p>2006/2007</p>
4.	Financial Policies will be developed and adopted in order to guide staff in the long-term fiscal planning	A Council Approved User Fee Policy to guide staff in identifying what services should be subject to user fees and charges, and the amount of the service cost that should be recovered	2005 / 2006

TABLE 1			
	Key Budget Element	Implementation Strategy	Budget Cycle
	and budgeting process.	<p>through user fees should be adopted. Guidelines for increasing user fees and charges will be developed. All fees should be reviewed to confirm compliance with approved policies.</p> <p>Policies on debt issuance and management, capital from current funding, surplus management, use of one-time funding and stabilization fund(s) will be updated to develop firm multi-year capital and operating budgets and business plans.</p>	2005
5.	Develop process for preparing and adopting the operating budget and capital budget and plan on a timely basis.	<p>Develop and approve a budget calendar that affords programs adequate time to prepare their budgets, and committees sufficient time to effectively review budgets/fiscal plans.</p> <p>Financial Planning Division to develop budget guidelines and instructions in conjunction with senior management for distribution to programs and ABCs. As well, the Division will develop procedures that facilitate budget review, discussion, modification and adoption.</p>	<p>Ongoing</p> <p>Ongoing</p>
6.	The roles and accountabilities of Committees need to be clearly defined within a fiscal framework.	<p>Standing Committees will review program business plans (including five year capital plans and 3 year operating outlook), performance measures and trends, recommend and prioritize service levels within funding envelopes and shall make recommendations to the Budget Advisory Committee. Standing Committees will examine the linkages between sectoral, business and corporate strategic plans as part of their review of the budget.</p> <p>Budget Advisory Committee will receive and review Standing Committee recommended budgets and service level recommendations, prioritize between programs, balance city-wide service priorities and recommend a budget to Policy & Finance Committee.</p> <p>Budget Advisory Committee will evaluate the consolidated corporate budget to ensure compliance with Council Guidelines and Policies, and will develop strategies to balance the budget. Any strategies around user fee increases and / or tax increases will be referred to the Policy and Finance Committee.</p>	<p>Pilots for 2005 / 2006</p> <p>2007: all</p> <p>Ongoing</p> <p>2005 / 2006</p>

TABLE 1			
	Key Budget Element	Implementation Strategy	Budget Cycle
7.	All members of Council, staff, and the public will be engaged in the budget process.	All stakeholders will have an opportunity to participate in an open budget process. In addition to the mayor's public consultation, the public will have an opportunity to make deputations at key stages of the budget process.	Ongoing - with refinement in 2005/2006
8.	The budget process will be streamlined to allow effective decision-making.	<p>As in prior years, supplementary briefings will be encouraged to reduce the volume of formal report requests. As well, briefing notes will be continued as an effective way to provide useful decision making information to committees, thus reducing the need for formal reports.</p> <p>Performance measures will continue to provide the appropriate tools to make informed service delivery decisions. Resource allocation decisions will be based on the outputs and outcomes that are planned. Therefore, programs must indicate in quantitative terms the results they will achieve with the resources they request.</p>	<p>Ongoing</p> <p>Ongoing</p>
9.	Council will approve a multi-year budget.	<p>Multi-year financial and operating plans will be prepared and submitted to Council for information in 2005, and for approval beginning in 2006.</p> <p>Programs will formulate 5-year capital plans, aligned to long term fiscal plans, corporate strategic plans and sectoral plans. All projects within the five-year timeframe will be approved to proceed per Council policy guidelines in 2005.</p> <p>In 2005 and 2006, the Operating Budget will incorporate the future year cost of current year budget approvals.</p>	<p>2005/2006</p> <p>2005/2006</p> <p>2006</p>
10.	Evaluation tools and master plans must be developed to prioritize the Capital Program.	<p>Criteria that define capital program priorities within and between programs will provide a standardized method for ranking capital projects. A corporate prioritization and ranking tool will be in place for the 2006 capital budget process.</p> <p>Master Plans are also being formulated for capital programs. The master plans will be evaluated by the respective Standing Committees to assess capital program priorities.</p>	<p>2006</p> <p>2006</p>
11.	Financial protocols will	All in-year policy decisions (for ABCDs) having a	Ongoing

TABLE 1			
	Key Budget Element	Implementation Strategy	Budget Cycle
	continue to be enhanced.	current or future year budget impact will be reviewed and approved through the Policy and Finance Committee. The full-year operating budget impact of every capital project should be approved with approval of the 2005 - 2009 Capital Plan.	2005
12.	Mechanisms for ensuring compliance with the approved budget will be in place.	Programs will monitor their budgets on an ongoing basis and will take corrective action to prevent significant expenditures variances. On a quarterly basis, formal variance reports will be produced and submitted to Council. Programs will comply with the controls detailed in the Financial Control By-law.	Ongoing Ongoing

In summary, the budget process outlined in the above table recommends the following improvements:

- Development and approval of strategic plans and goals/objectives that establish a clear direction for Council and staff; such goals to form the basis of developing policies for programs and services.
- Involvement of the community and other stakeholders in order to ensure that services and service priorities represent their needs and concerns.
- Council priority setting exercise to include public consultations and to be provided to staff early in the budget process to ensure efficient development of budgets that fulfil Council's goals and priorities.
- Better assessment of services and service levels, delivery mechanisms and the management of infrastructure and capital expenditures through multi-year operating budgeting and 5-year capital plans.
- Development and adoption of financial policies to guide the resource management and allocation process.

In effect, what is proposed is a streamlined budget process that focuses on value added activities, while ensuring that decision-makers are provided with the right information, and involves all members of Council, staff and other stakeholders in decision-making process. While all the elements proposed cannot be fully implemented in 2005, it is expected that by 2006 the City's budget process will incorporate all the best practices and principles recommended by GFOA.

Conclusion:

This report compares the City of Toronto budget process with those of other local governments in Canada and internationally. As well, it measures the City's process against best practices recommended by the GFOA. In general, the City compares favourably against other jurisdictions and complies with the principles and practices of the GFOA. Nevertheless, there is room for improvement particularly in the area of up front corporate goal setting, and service and budget priority setting which is being addressed through the Mayor's public consultation process.

Table 2 summarizes the recommended improvements to the City Budget Process.

TABLE 2	
Improvement Area Identified	Included in Recommended Budget Process?
<p><i>Budget Preparation</i></p> <ul style="list-style-type: none"> ▪ Target setting and priorities reviewed up-front by Council within a strategic framework. ▪ Council approval of multi-year financial and operating plans based on affordability. ▪ Up-front involvement of all members of Council. 	<p>Y</p> <p>Y</p> <p>Y</p>
<p><i>Administrative Review</i></p> <ul style="list-style-type: none"> ▪ Better evaluation tools, performance measures and benchmarks to assess priorities. ▪ Budget review linked to strategic priorities, and aligned to corporate strategic plans and sectoral plans. 	<p>Y</p> <p>Y</p>
<p><i>Political Review</i></p> <ul style="list-style-type: none"> ▪ More up-front affordability targets/envelopes and priority setting by Council and Committees. ▪ Budget Advisory Committee to focus on service level trade-offs based on prescribed priorities within a fiscal framework. ▪ Involve as many Councillors as possible in the budget process and provide forums for information sharing. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

The recommended budget process meets several objectives. There are clear links to Council's strategic plan, priorities and program area business plans. Planning will take place over a longer-term horizon, with multi-year financial and operating plans and firm 5-year capital plan approvals. The focus of the budget review is on service priorities, with service level trade-offs within a fiscal framework. Finally, the proposed budget process requires Council to provide up-front directions and endorsement of corporate strategies, guidelines, budget priorities and targets.

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List of Attachments:

Appendix 1

APPENDIX 1

GFOA Recommended Budgeting Practices

A good budget process, according to GFOA, is comprised of four basic principles. As indicated in Table A, each of these principles is broken down into elements which collectively assure effective budgeting. The principles are defined as follows:

1. **Establish Broad Goals to Guide Decision Making** - a government should have broad goals that provide direction and serve as a basis for decision making;
2. **Develop Approaches to Achieve Goals** - a government should have specific policies, plans, programs and management strategies to define how it will achieve its long-term goals;
3. **Develop a Budget consistent with Approaches to Achieve Goals** - a financial plan and budget that moves toward achievement of goals, within the constraints of available resources, should be prepared and adopted; and,
4. **Evaluate Performance and Make Adjustments** - program and financial performance should be continually evaluated, and adjustments made, to encourage progress toward achieving goals.

Table A										
Government Finance Officers Association (GFOA) Recommended										
BEST BUDGET PRACTICES FOR LOCAL GOVERNMENT SERVICES										
SUMMARY OF RECOMMENDED BUDGET PRACTICES		COMPARATIVE USER ANALYSIS (SELECTED MUNICIPALITIES)								
		Vancouver	Winnipeg	Montreal	New York	Indiana- polis	Melbourne	London UK	Toronto	
P – 1	<i>Establish Broad Objectives and Goals to Guide Government Decision Making</i>									
	<i>E-1</i>	<i>Assess Community Needs, Priorities, Challenges, and Opportunities</i>	Y	Y	Y	Y	Y	Y	Y	I
	<i>E-2</i>	<i>Identify Opportunities and Challenges for Government Services, Capital Assets, and Management</i>	Y	Y	Y	Y		Y	Y	I
	<i>E-3</i>	<i>Identify broad goals</i>	Y	Y	Y	Y	Y	Y	Y	Y
P – 2	<i>Develop Approaches to Achieve Goals</i>									
	<i>E-4</i>	<i>Adopt Financial Policies</i>	Y	Y	Y	Y	Y	Y	Y	Y
	<i>E-5</i>	<i>Develop Programmatic, Operating and Capital Policies and Plans</i>	Y	Y	Y	Y	Y	Y	Y	I
	<i>E-6</i>	<i>Develop Programs and Services that are Consistent with Policies and Plans</i>	Y	Y	Y	Y	Y	Y	Y	I
	<i>E-7</i>	<i>Develop Management Strategies</i>	Y	Y	Y	Y	Y	Y	Y	Y
P – 3	<i>Develop a Budget Consistent with Approaches to Achieve Goals</i>									
	<i>E-8</i>	<i>Develop a Process for Preparing and Adopting a Budget</i>	Y	Y	Y	Y	Y	Y	Y	Y
	<i>E-9</i>	<i>Develop and Evaluate Financial Options</i>	Y	Y	Y	Y	Y	Y	Y	Y
	<i>E-10</i>	<i>Make Choices Necessary to Adopt a Budget Practices</i>	Y	Y	Y	Y	Y	Y	Y	Y
P – 4	<i>Evaluate Performance and Make Adjustments</i>									
	<i>E-11</i>	<i>Monitor, Measure, and Evaluate Performance</i>	Y	Y	Y	Y	Y	Y	Y	Y
	<i>E-12</i>	<i>Make Adjustments as Needed</i>	Y	Y			Y	Y		
<p><i>Note that a “blank” cell indicates that research did not categorically indicate whether the particular jurisdiction complies fully with the specific element.</i></p>										

I = Improvements Required

How the City of Toronto Compares with Other Jurisdictions

As indicated in Table A, the City of Toronto complied, in a general way, with prescribed GFOA recommended practices.

(i) New York City

The City of New York budget process requires the Mayor to first submit a preliminary budget to Council no later than on January 16. Then, by April 26th of each year the Mayor must submit to Council a proposed executive budget, along with supporting schedules that outline all the proposals in the executive budget in detail. Both the preliminary and executive budgets are subject to public consultation.

With regards to the preliminary budget the Council “has until March 25th to hold public hearings on the program objectives, and fiscal implications of the budget and any statements of budget priorities of the community and borough boards, the draft ten-year capital strategy and any borough president recommendations.” Public hearings on the preliminary budget and any statements of budget priorities are held during a two-week period and agency officials as well as community boards are permitted to testify regarding their needs. Any member of the public who wishes to testify is permitted to do so as well. As part of its responsibilities under the New York City Charter, council must issue its findings and recommendations related to the preliminary budget, along with a summary of all the budget hearings held by each of the council's committees including an outline of the issues raised, recommendations and requests made by each committee.

Again when the Mayor submits the Executive Budget, it is up to the Council to conduct public hearings in the same manner in which it does for the preliminary budget. After these hearings have taken place, negotiations begin between the Mayor's Office of Management and Budget and the City Council's Finance Division to come up with a negotiated balanced budget.

(ii) Vancouver, British Columbia

To help develop options to deal with budget shortfalls, the City of Vancouver has been conducting public consultations since 1997. In part, the purpose of these public consultation initiatives is to develop the most acceptable course of action to deal with fiscal challenges and to understand the public views on how to collect additional revenue and how to allocate funds available. The 2004 public consultation process included:

- a public opinion survey undertaken by a local polling company, which sought the opinions of 602 randomly selected Vancouver residents on a range of service and taxation options.
- A "City Choices 2004" process involving an information flyer, a message line and e-mail box for comments and a mini-questionnaire that could be faxed or mailed back to the City. This flyer was also made available on the City's website where the questionnaire could be completed on-line.
- Two Mayor's Forums focusing the budget discussion on two themes:

- i Poverty, Homelessness, and Provincial Offloading
- ii Crime and Safety

Findings of the public consultation were very instructive and useful in helping the Vancouver City Council make key decisions on service priorities and fiscal options. Excerpts from the Key Findings section of the report to the City of Vancouver Council confirm the specificity and instructiveness of the results of the 2004 public consultation initiative:

Satisfaction with Quality and Value of Services from the City of Vancouver - The vast majority of residents continue to be satisfied with the quality of services received from the City of Vancouver with the proportion that are “very satisfied” remaining constant. In terms of value for their tax dollar, positive perceptions also continue to be held by the majority. In terms of the level of taxation, homeowners are evenly divided between considering the tax level “too high” and “about right.”

Support for Revenue Options to Deal with Shortfall - User fees for some City services continue to be the most popular alternative for recovery of shortfalls.... If choosing between property taxes, service cuts and a mix of the two, the mixed approach is the preferred option. Views on allocation of funding sources for a mixed approach indicate that, on average, people would equally balance tax-hikes with service cuts.

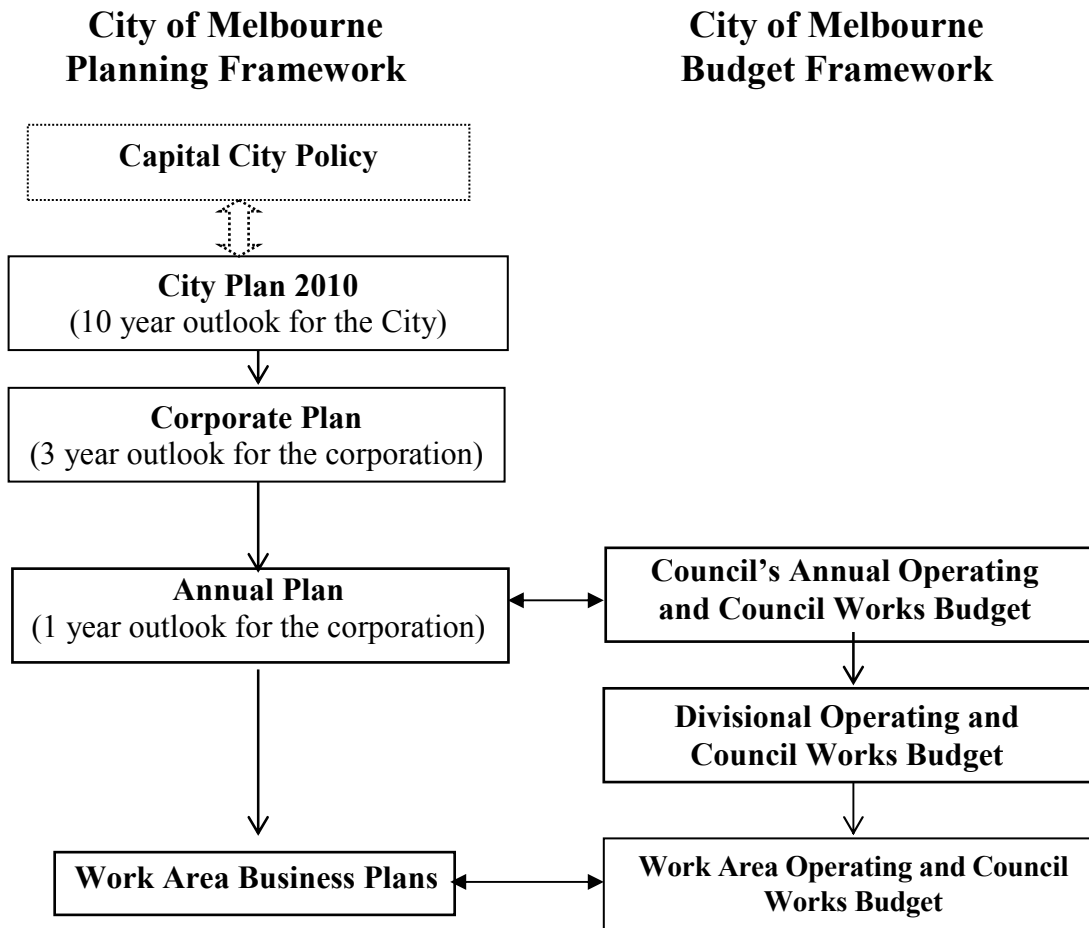
Price Sensitivity to Property Tax Increases - In total, a majority of homeowners are willing to pay a 6% increase in property taxes (57%), but the proportion grows to larger majorities at a 4% increase (70%) or a 2% increase (84%).... Renters are also agreeable to a \$3 per month increase in rent in order to maintain the current level of city services.

Priority Issues for Budget Allocation - The top service priority, by far, is policing ... followed by support for community organizations helping needy people and fire protection. Other services next in order of importance include management of traffic in the city itself, as well as planning for Vancouver’s future, garbage collection and recycling, libraries and sewage/drainage maintenance and repair. Cutting services continues to be a less favoured fiscal management option.

Conclusions - Sensitivity to higher taxation is similar to that found last year. Acceptance is very broad for a 2% increase, declining somewhat at 4% and meeting sizeable resistance with a 6% increase. Those with lower property values are particularly price sensitive, and more than ever consider their tax level too high. User fees appear to be an acceptable alternative as a way to raise some revenues and maintain services; these are generally preferred to cutting services and raising taxes. (Note that the Vancouver Regional District provides management services as well – that is, Regional Parks, Transit, Water / Wastewater, etc.)

EXHIBIT 1
City of Melbourne, Australia - Budgeting and Planning Framework
From 2004-2005 Budget Guidelines

The City of Melbourne's long term strategy is outlined in the City Plan 2010. The corporate plan, annual plan, and work area business plans are all ultimately geared toward achieving the long-term strategy contained in City Plan 2010.



The approach to the 2004/05 Operating and Council Works Budget is to link the preparation of the Budgets and the Planning process. There is a direct correlation between the allocation of resources for the divisional budget and achievement of objectives and initiatives in Divisional Work Area Business Plans. Accordingly it is recommended that managers and finance officers work together with staff responsible for business planning to develop plans that ensure compatibility of objectives and outputs.

The Operating Budget will require revenues and expenditures to be allocated to Projects/Programs, in addition to the relevant revenue or expenditure category.

The preparation of the Operating and Council Works Budgets is the responsibility of the relevant Director. Both budgets are for the financial year ending June 2005.