

A Better Budget for a Better City:

Ideas for a healthy budget process in Toronto

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Executive Summary

Budget decisions have a profound impact on our daily lives. From garbage collection, to public transit, to the safety of our neighbourhoods budgets sit at the heart of community development. A budget process has the capacity to identify and address health and social inequalities.

The City of Toronto's 2012 budget process left much to be desired. From the marathon all night meetings following the core service review to the shortsighted recreational fee increases and tax cuts, it was a budget process that fell short of what is needed for good city building. However, Toronto's recent civic struggle has triggered a renewed interest in city politics, telling us that Toronto is ripe for a restructuring of our local governance systems, including our budget processes, to better reflect our collective urban identity.

This report looks to other cities for ideas on improving budget processes. It focuses on four jurisdictions — Calgary, Chicago, New York City and Philadelphia — to apply their strategies for better budget building to Toronto.

Four main areas emerge when examining these cities: resident engagement, accountability through oversight, fiscal prudence, and transparency through third-party intermediation.

From Calgary, we learn that resident engagement is a process that involves engaging community partners to understand what services are valued and how the budget can better reflect local needs. Residents are consulted about the actual consultation process, they are given reasonable time lines to give input, and they are engaged in multiple ways.

Chicago produces a non-partisan report informing residents about the budget options and what the trade-offs involved in municipal decision-making. This ensures that residents have access to information that looks at both sides of the ledger, outlining options on both increasing revenue and controlling expenditures, and mapping out the implications of proposed budget options.

New York City teaches us how the implementation of a more formal arm's-length oversight mechanism might be implemented that might be appropriate for the increasing size and complexity of the Toronto city budget. Institutionalizing accountability in the local budget process enhances public trust in governance systems.

And last, in Philadelphia non-governmental bodies, with expertise in civic issues, are engaged in increasing budget literacy for residents and offering further insight into policy issues. These experts work as a bridge between communities and governments.

Although there is no specific recipe for budget reform, there are common ingredients. This paper recommends that Toronto look to the examples of Calgary, Chicago, New York and Philadelphia in order to create a better budget process for a better city.

Introduction

The City of Toronto's 2012 budget process unleashed a tidal wave of criticism about city governance and the budget process in particular. Mayor Rob Ford evoked strong (and arguably divisive) feelings from the citizenry about what type of city they want to build and live in. Here are a few examples of how last year's budget process fell short of reflecting responsible and healthy city-building:

- Inadequate resident engagement around the impacts of service cuts explored in the 2011 core service review, resulting most notably in a series of tense marathon meetings at City Hall. Deputies were granted limited time, typically two to three minutes, to express their views on how proposed service cuts would affect their quality of life.¹
- The quiet passage of a new user fee policy for sports fields by Toronto city council in the 2012 operating budget left recreational club organizers scrambling six months later when they learned of the increased fees. This lack of transparency led to a policy reversal. Subsequent to widespread backlash, city council eventually waived the user fees for 2012, forfeiting the \$1.5 million in expected revenues, with the promise to consult with the public prior to the next budget.²
- Without adequate consideration of the impacts, Mayor Ford opted to freeze property taxes and eliminate the Personal Vehicle Tax in 2011, costing the City \$132 million in revenue. A more fiscally prudent process would have mechanisms in place to publically analyze the costs and benefits associated with such a decision while also offering alternatives.³
- Throughout the 2012 budget cycle, there was controversy about the city's estimated shortfall. Though city staff adjustments eventually reduced the shortfall to \$530 million, the initial \$774 million figure was used long after it was no longer applicable. City Hall's ambiguity left many residents confused and disenchanted with the budget process.⁴

Last year's budget process raises many questions about how we build the type of city we want to live in. Amidst the uproar following some of these noticeable missteps in our less-than-perfect budget process, community coalitions like Toronto Open Budget Initiative (TOBI) as well as local activists like Dave Meslin saw an opportunity to engage Toronto residents in a broader conversation. They asked us to rethink our relationship with City Hall in an effort to deconstruct contemporary urban governance issues. Dave Meslin uses the theatre imagery of the fourth wall to describe the relationship between City Hall and the public. The fourth wall is, quite simply, the invisible wall that exists between the world of the play (City Hall) and the audience (the public). Meslin's fourth wall analogy shows us that City Hall has neglected to consistently engage community members in meaningful conversations about local issues, thereby creating a void in the democratic process. As local decision-making grows increasingly complex and distant, it is evident that residents are confused about how to open lines of communication with municipal actors, and more broadly, engage in city politics. As such, the Fourth Wall exhibit explores some of the most notable shortcomings of our current governance system while also providing insight into how we can embrace best practices from other jurisdictions in order to "build a new culture of civic engagement."⁵

TOBI, on the other hand, has taken a more hands-on approach to municipal reform by advocating for a more inclusive, open and collaborative budget process. In 2010, TOBI garnered support from Toronto city council candidates for its declaration of principles, values and recommended actions for transforming the budget process. TOBI advocated for lengthening the budget process to foster meaningful resident engagement in priority setting, budget planning, and impact assessment.⁶ By emphasizing the importance of an accessible, inclusive and transparent budget, this declaration sought to illustrate how small steps could move us considerably closer to a healthier budget process.

Armed with innovative tools like the Fourth Wall Exhibit and the TOBI declaration, how do we take our rightful place at the budget table, as one step towards a healthy budget process? What does that

process look and feel like? This conversation about a healthy budget process is especially relevant when phrases like “ballooning deficits,” “austerity measures,” “tax cuts,” and “fiscal restraint” dominate the public lexicon. It is important to consider how these concepts shape our individual and collective responses to economic uncertainty. They bias how we, formally and informally, respond to social and economic pressures as residents, communities, constituencies, and as a nation.

The aspects of municipal politics and budgeting that disenfranchise or disengage people are well-documented. So instead of asking, “what is wrong with our city budget process?” we choose to ask, “what are some of the elements that are fundamental to good city building?” and “what have other cities done right or well in developing or reforming their budget processes?” This paper will highlight different aspects of the budgeting processes in Calgary, New York City, Chicago, and Philadelphia to answer these questions.

We consider resident engagement, accountability through oversight, fiscal prudence, and transparency through third-party intermediation as fundamental components of a healthy budget process. By building a budget process around these four components, politicians, civil servants and communities can collaborate to better identify and analyze relevant economic and social factors that shape the capacity of local budgets. It is our hope that these examples can be adapted and eventually adopted in Toronto. Until we make significant changes at City Hall, such examples may help us understand how and why Toronto fell short in 2012’s budget process and outcomes.

Municipal Budgeting Processes

Municipal budgets are important policy documents that outline the local government's fiscal priorities and guide future transactions and operations. However, budgets need to do more than meet fiscal or even legislative obligations. Since decisions about frequently used services like transportation, garbage collection, and community recreation are made in municipal budgets, they should also reflect community interests and city council goals. To do so, the budget process should provide a sound basis for anticipating and evaluating spending pressures relative to the “taxable capacity of the local economy.”⁷

The American National Advisory Council on State and Local Budgeting (NACSLB) argues that characteristics of the budget process ultimately shape the quality of subsequent decisions as well as political buy-in and public acceptance.⁸ The NACSLB maintains that the following are characteristics of a good budget process:

- Integrates a long-term view for specific policies, plans, programs, and management strategies;
- Connects to overarching organizational goals and policy direction;
- Acknowledges the limitations of available resources but prioritizes results and outcomes;
- Engages a diverse range of stakeholders throughout the process;
- Encourages program efficiency and effectiveness by providing public sector employees with incentives; and,
- Encourages progress through continuous evaluation and adaptation.

SYSTEMIC ISSUES OR WEAKNESSES

Local governments frequently struggle with budget accessibility and clarity. Budgets often focus on inputs and neglect to articulate outputs or outcomes as community goals.⁹ This has the potential to trigger disenchantment with the budget process as it does not encourage stakeholders to visualize the road ahead where they receive a sizeable and equitable return on their communal investment. People need to make the connection between reductions in city spending and reductions in the services they depend on. It is the city's responsibility to provide community members with the knowledge and opportunity to make that connection.

Budget calendars and process timelines can sometimes be incompatible with good process. A one-year time span does not always allow for thorough research, preparation, deliberation, implementation and evaluation.¹⁰ Budgets can also be inaccessible or unintelligible, making it more difficult for external stakeholders to understand the process and analyze proposals put forward. Irene Rubin suggests the following simple changes to deliver a more readable and understandable budget document:¹¹

- Making the budget available in a downloadable format;
- Better formatting (allow for keyword searches);
- Use of electronic highlighting to draw attention to key information; and,
- Providing electronic links to laws regulating the budget process (highlight excerpts of legal requirements).

Other common criticisms of the budget process are that it can be cumbersome and time and resource intensive. Often, civil servants and politicians are overwhelmed by their legal duty to balance the books, forcing resident engagement to take a back seat. Despite the efforts of civil servants to facilitate some form of resident involvement in the budget process, it is challenging to open up traditional governmental structures to external parties.

Directions for a Healthy Budget Process

What is a healthy budget process? Within the context of municipal budgets, a healthy process takes on a double

meaning. On one hand, it refers to the concept of adhering to good governance principles; on the other hand, it alludes to the capacity to address the social determinants of health, thereby improving population health. Building on this concept, it is important to ask: what mechanisms can be put in place to develop and secure a healthy budget process? How can cities establish themselves as stewards of healthy budgeting?

In an effort to answer these questions, we look to progressive urban centres like Calgary, New York City, Chicago, and Philadelphia for promising practices. Contextual differences, like demographics, physical environment, fiscal history and socio-economic factors are important contributors to budget process reforms,¹² but this review will not provide an in-depth analysis of these jurisdictional differences. Instead, we will focus on lessons learned with the hope that the featured case studies will provide good ideas for Torontonians while also illustrating a spectrum of possibilities for local governments in search of change.

RESIDENT ENGAGEMENT

Meaningful and effective public engagement improves the quality of decisions made, facilitates citizen understanding of issues and government processes, ensures transparency and accountability, fosters respect for the views of others, and increases support, understanding, and ownership of decisions made.
- Dialogue Partners, 2011

In recent years, many local governments have opted to expand the role of community members in budget processes with the objectives of greater alignment with democratic ideals, improvement in service and program delivery and a reduction in levels of public distrust, cynicism and apathy. Critics and scholars continue to probe these efforts to determine whether contemporary models “meaningfully affect budget policy or outcomes,” making the important distinction between “superficial consultation” and “effective resident engagement.”¹³

Though legislative requirements for resident engagement vary greatly across cities, most local governments have some latitude in implementing different methods and models based on local circumstances and perceived need. It is incumbent on city officials to select and invest in an approach that will harness local knowledge, build expertise, and empower communities in the budget process.¹⁴ This can be realized in a variety of ways, from traditional mechanisms like advisory boards, public hearings and surveys, to more innovative tools like participatory budgeting.

Prior to the selection and implementation of an engagement strategy, city officials and community partners must consider how variables like governance structure, political culture and diversity may affect the way community members perceive and interact with the budget process and its actors.¹⁵ Effective public management rests on the collective ability of civil servants and elected officials to engage community members in relevant policy debates that shape the budget.¹⁶ In this respect, the municipal budgeting process is considered an opportunity to resolve conflicts through cooperation and institutional change.

Despite variations in approaches, resident engagement literature identifies the following as fundamental characteristics of effective and meaningful participation efforts:

- Participants are representative of the broader community;¹⁷
- The process is open and accessible to everyone;
- There is opportunity for input early in the process;
- Lines of communication are open between communities and City Hall (elected officials and

- civil servants);
- Expectations and goals are articulated at the outset;
- Input is valued and considered in decision-making; and,
- Input reflects true priorities and preferences of community members.

We use Calgary and Chicago as case studies for embedding resident engagement in the budget process. In Calgary, Mayor Naheed Nenshi launched an initiative to reform the city’s engagement process as a means of facilitating better participation in the budget process. As well, we look at Chicago alderman Joe Moore’s introduction of participatory budgeting in Ward 49 to redistribute resources based on local priorities.

CALGARY, ALBERTA: OUR CITY. OUR BUDGET. OUR FUTURE.

The City of Calgary has seen considerable changes in its political and economic landscape over the last couple of years. Calgary elected political rookie Naheed Nenshi as mayor in 2010. According to Calgary Herald reporter Robert Remington, Nenshi ran on “strong ideas for organizational change and cutting red tape,” displaying great passion for tackling urban issues across the spectrum.¹⁸ Remington attributed Nenshi’s win to his aptitude for communicating big ideas and aggressive use of social media to engage different segments of the population. At an October 2010 press conference, Mayor Nenshi told reporters that his election win “was about revitalizing the level of conversation in the city,” alluding to the need to engage Calgarians in the budget and decision-making processes at City Hall.¹⁹

Within the first year of Nenshi’s term as mayor of Calgary, city council began a review of municipal operations and the budget process. This reform initiative, “Our City. Our Budget. Our Future.,” prioritized resident engagement to understand what services are valued and how the budget could better reflect local needs. Council set out to surpass previous levels of resident engagement in municipal business plans and budgets.²⁰ It was expected that findings derived from the renewed process would also enrich the implementation of ImagineCALGARY, a long-range community vision based on values of environmental sustainability, economic well-being, and social cohesion. These changes came in the context of city council’s adoption of a multi-year planning and budgeting approach established in 2005.

From February to May 2011, council worked with the consulting firm Dialogue Partners to roll out a new engagement strategy. In March 2011, the City of Calgary launched an iPhone application to provide information about the budget process and facilitate discussion through digital forums. The Calgary Business Plan and Budget application allows users to complete surveys and questionnaires, rate city services as well as propose priorities for budget spending.²¹ Using an application for mobile devices as a medium for engagement in the budget process provided another innovative and convenient pathway for council to interact and share information with the community. Dialogue Partners reported that the City consulted with more than 23,000 Calgarians, a combination of residents, representatives from community organizations, city employees, and council members, between the launch of the new engagement strategy and the adoption of the budget in November 2011.²² The three phases of the engagement strategy are outlined below:

1. Calgarians were asked about appropriate and effective methods for participation and offered advice on elements of a successful engagement process;
2. Participants expressed their values and priorities for city services via community meetings, online forums, and social media; and,
3. Participants expressed how they would manage city finances via the online budget tool.

Throughout the engagement process, the Mayor was adamant about increasing transparency in decision-making by making budget information more accessible.²³ He encouraged the civil service to better integrate elements of simplicity and clarity in the City's reporting style. An inclusive and collaborative approach to redesigning engagement in municipal budgeting also served as a means for building and strengthening trust between communities and City Hall. In using different avenues for engagement, including web-based forums, social media, television and face-to-face community sessions, Council was able to draw on the findings of these discussions as a foundation for future deliberations relating to the Fiscal Plan for Calgary and tax rate approvals.

The June 2011 engagement results report showed that residents prioritized efficient service provision and were generally opposed to service reductions. Residents also indicated the value of performance measurement, communication, long-term planning, fiscal restraint, and building inclusive partnerships between government and communities. In one of his weekly columns for the Calgary Herald, Mayor Nenshi stated that, through the engagement process, Calgarians expressed "...a desire to hold the line on taxes while preserving and investing in the services that people value..."²⁴

Using participants' views to inform the development of an official engagement process and subsequent budget decision-making delivers a more democratic governance process. Based on feedback from the engagement strategy, Calgary city council has committed to integrating participatory budgeting in Calgary's budget process by 2016, thereby delivering on its promise to give residents a louder voice in decision-making. At the February 2012 Cities Summit held in Vancouver, Mayor Nenshi stated that "Our City. Our Budget. Our Future." will continue to:

- Help community members feel like they are truly part of the budget process;
- Facilitate better communication between city officials and communities; and,
- Inspire and collect good ideas for the budget.

Since Council's budget deliberations in 2011, engagement efforts have continued to determine if and how community members' priorities have changed and to evaluate how the City has met the goals set out in the 2012-2014 business plans and budgets. A subsidiary website was launched in June 2012 as a portal for navigating the 2013-2014 budget adjustment process and for reflecting on last year's budget. Residents were encouraged to fill out online surveys and comment boxes and to visit the Calgary CityNews blog, Facebook and Twitter sites to provide input on the budget process. Feedback and recommendations from these mediums will be used as a reference for 2013 budget adjustment proposals from city departments. Subsequent phases of the communication and engagement plan will be carried out in November 2012 to ensure that residents are consistently engaged in budget adjustment decisions.²⁵

IDEAS FOR TORONTO

Mayor Nenshi and city council devised a collaborative and participatory exercise to define and formulate an official engagement process for municipal decision-making. "Our City. Our Budget. Our Future." was developed to stimulate and nurture a relationship with Calgarians. In a 2011 press conference, the mayor stated that the process was meant to "engage [community members] as fellow problem solvers" as well as "go from the public versus City Hall to we're all in this together."²⁶

Toronto's 2012 budget process did not capture either of these sentiments as stakeholders faced off against councillors in a series of emotionally charged all-night public meetings. Those who deputed about suggested program cuts outlined in the 2011 core service review were granted a mere two to three minute window to speak. Others interested in participating may have been discouraged because

of the confrontational nature of these interactions with councillors. As well, these meetings were held at inopportune times for those with family or other responsibilities that prevented them from camping out at City Hall from 5 p.m. until 3 a.m. Though Toronto's jam-packed marathon deputations clearly illustrated a strong desire from communities to be a part of the budget conversation, the process lacked the means to accommodate proper resident engagement.

Calgary experimented with numerous models of engagement (budget kit, videos, local roundtable sessions, community forums hosted by city officials, online commentary via Facebook, Twitter and the city's blog) and conducted its outreach over a considerably longer period of time (four months). In an effort to address skepticism and scrutiny surrounding outcomes of this reform, Nenshi stated from the outset that this was an exercise in incremental change. This reform was meant to stimulate conversation around how Calgarians can participate in municipal decision-making, tackle how the budget is developed, and, eventually, review and rework the actual budget document.²⁷ Calgary politicians and civil servants took the opportunity to ask its residents: how we can better communicate with you and how can the budget better serve your needs? The City of Toronto could benefit from a similar undertaking: a city-wide engagement process that explores how City Hall can meaningfully engage with residents on municipal issues and improving the budget process itself.

CHICAGO, ILLINOIS: PARTICIPATORY BUDGETING IN WARD 49

Within the City of Chicago's official budget document, the organizational flow chart places Chicago residents at the pinnacle — the head of local decision-making — informing the mayor, city council, clerk, and treasurer. The City hosts two public hearings during the budget process, outlined in the City of Chicago Budget 2012 Action Plan.²⁸ In the first meeting, residents explore program ideas and priorities in major policy areas like housing, economic development, community improvement, and public services. Subsequent to this meeting, a draft action plan is developed and presented for public review. This draft typically includes budget recommendations, program priorities, and city goals and strategies for program implementation. Residents have a 30-day period to submit comments on this draft plan, after which a final version is posted online. Though this process incorporates some level of resident engagement, it restricts residents to a one-dimensional and static role at a particular point in the budget process. Aside from viewing the budget and offering suggestions on existing program proposals, residents are given limited opportunity to shape the process and its outcomes.

The City of Chicago develops a five-year blueprint, known as the Capital Improvement Plan (CIP), to determine spending priorities and disseminate funds for infrastructure projects. In 2010, the city allocated \$82.6 million for infrastructure projects under the CIP. CIP project allocations are informed by recommendations from city departments and draft recommendations are discussed at public hearings through a public review process. The Office of Budget Management works with the Capital Improvement Advisory Committee to host a series of town hall meetings, informing residents and generating feedback on project proposals.²⁹ In addition, the City of Chicago allows its aldermen to directly influence the capital budget process through the Aldermanic Menu Program. In 2011, the program granted each alderman approximately \$1.32 million from the CIP fund to support local infrastructure projects within their wards.³⁰ Chicago alderman Joe Moore has taken the AMU one step further by implementing participatory budgeting (PB) in Ward 49.

Since 2009, Ward 49 residents have been using PB to spend Moore's \$1 million infrastructure improvement fund on "projects that acquire, develop, maintain or improve publicly owned capital assets" including sidewalks, benches, bike racks, community gardens or artistic murals.³¹ PB provides a systematic framework for residents to decide how to spend a portion of the public budget in a democratic and open fashion. The PB process improves service delivery while also encouraging

active citizenship and responsibility through engagement and collective decision-making.³² Ward 49 residents organize themselves into committees and appoint leaders who can voice their interests and concerns, prior to the presentation of competing proposals. After deliberation, residents gather to vote on which proposals best meet their needs and are therefore deserving of the infrastructure funding.³³ Though Alderman Moore's menu only offers residents influence over a small portion of the city budget through PB, it provides numerous other community benefits such as access to professional expertise and exchange of knowledge between city staff and residents.

Many scholars and community activists have studied PB's beginnings in the small Brazilian town of *Porte Alegre*, praising its early advocates for the rejuvenation of local democracy. As news of PB travelled, North American cities like Chicago and most recently New York City have opted to reconstruct their local budgeting processes. In 2011, the Participatory Budgeting Project worked with several grassroots coalitions, including Community Voices Heard, to provide the technical assistance and logistical support needed for four New York City councillors to launch a pilot. Based on the success of PBNYC in its first year, there has been a groundswell of support for its expansion across NYC wards. Between September 2012 and April 2013, 1.3 million residents in eight council districts will be able to use the PB process to decide how \$10 million of the city budget is spent.³⁴ Though PB is fairly new to North America's political scene, it has the potential to develop local leadership, promote collaboration, enhance community-government relations, and embed equity in the budget process.

IDEAS FOR TORONTO

Participatory budgeting has emerged as an innovative and useful tool to supplement local governance structures, expanding democracy past elections and distributing resources according to local need. The promise of direct influence and a voice in municipal decision-making has broadened its appeal in North America. For cities like Toronto that have high levels of ethnic, cultural and language diversity, PB provides a viable platform for identifying and meeting a wide range of specific social service needs.³⁵ It would allow residents to build and take part in a custom budget process. As seen in Chicago, PB requires political leadership as well as community support. Through the PB process, Alderman Joe Moore was able to formulate partnerships with community groups, while PB participants saw improvements in their community building skills.

Though the Toronto Community Housing Corporation (TCHC) has been using PB since 2001 to include tenants in capital budgeting decisions, it has not yet entered the City's budgeting process.³⁶ However, Toronto's previous municipal administration led by David Miller initiated a campaign, *Listening to Toronto*, to enhance resident engagement in priority-setting and decision-making for the 2004 and 2005 budgets. Recognizing that residents are usually consulted after the budget has been developed, Miller opted to delay budget proceedings until consultations could be held, offering participants the chance to develop and influence budget ideas at an earlier stage in the process. *Listening to Toronto* offered insight into how a collaborative approach to budgeting can mobilize different communities around a common objective: responsible and healthy distribution of resources. Despite the overwhelming response from community members and local organizations, the *Listening to Toronto* consultation process was discontinued in 2006.³⁷

Instead of confining residents and community groups to the oversubscribed deputation process, often skewed by short speaking times and a hostile atmosphere, city council needs to explore more substantial and diverse opportunities for engagement. A first step would be the re-launch and expansion of the Toronto Civic Engagement Office's *Toronto Civics 101* program. *Toronto Civics 101* offered six lectures focusing on different aspects of municipal governance including the budget, neighbourhood planning, city council proceedings, and elections. In 2009, there were high enroll-

ment numbers, implying the value and relevance of this program to Torontonians. Applicants who were not selected to participate were given access to online resources including the official Toronto Civics 101 blog.³⁸ Despite the popularity of this local initiative, only the online engagement resources have been maintained via the city of Toronto website. Re-launching Toronto Civics 101 sessions in civic centres, libraries and community centres across the city would provide more opportunities for Torontonians to gain insight on municipal policy and decision-making. Incorporating discussion of and experimentation with innovative participatory governance tools like PB into the course curriculum may inspire local solutions to systemic fiscal issues.

Although Toronto may not be in a position to formally incorporate tools like PB into its budget process, we can still adopt the underlying principles. PB offers a supplementary stage or avenue for public discussion on priority services. The PB process would have been an effective and important counterbalance to the core service review, providing a community perspective on budget priorities. Municipal participatory budgeting grants residents the opportunity to directly influence investment in their communities, while potentially improving relationships with the civil service and elected officials.

Accountability Through Oversight

We need to go from the telephone directory or accounting model of budgeting to a political model of accountability that builds public trust. - Irene S. Rubin, in “Bringing transparency to municipal budgets,” 2009

“To talk about accountability is to define who can call for an account and who owes a duty of explanation.” This view highlights the importance of clarifying the scope of accountability in local government operations.³⁹ A range of accountability mechanisms, whether internal, external or both, can be put in place to ensure the integrity of municipal budgeting and financial planning. Accountability should not be viewed as the end or outcome of the process but rather the means “...to support better decision-making on national and local budgeting.”⁴⁰ Accountability acts as a guide for ethical, legal and responsible governance, creating a nurturing environment for objective processes and equitable outcomes. More progressive cities are likely to achieve accountability through the openness of the budget process and its documents, whereas less reformed cities will pursue accountability only through elections.⁴¹

While some cities have organically intertwined budgeting with oversight, others have implemented accountability measures in response to scandals of fiscal mismanagement or corruption. Rubin states that “fiscal stress ... creates pressure to improve the accountability of the budget.”⁴² With or without stories of sordid backroom deals, it is widely accepted that contemporary budgeting processes must contain some level of “civil regulation.”⁴³ It is expected that both preventative and remedial mechanisms will be put in place to ensure accountability. A healthy budget process places prevention at the top of the accountability agenda, minimizing opportunities for inefficiency and non-compliance.

Below are descriptions of the different dimensions of accountability:⁴⁴

- Legal: ensuring operations are carried out in accordance with constitutional principles, laws or convention (e.g. municipal governments are required to balance the books);
- Hierarchical: allocation of financial responsibility within the civil service (e.g. the presentation of estimates or projections to senior management);
- External: responsiveness to the expectations and demands of the general public and elected officials (e.g. providing detailed and comprehensible budget reports); and,
- Professional: oversight and monitoring consistent with professional norms and practices (e.g. adherence to Government Finance Officers Association’s accounting standards).

Several municipalities in North America have opted to expand oversight duties to several actors including chief financial officers, internal and external auditors, audit committees, and elected officials.⁴⁵ Often there is an unwritten, but agreed upon, division of labour. Each actor contributes to the budget process in different ways, enriching it with a diversity of interests and perspectives. It is important to establish some level of independence among some or all of these actors.

The case study for accountability through oversight is based in New York City where we see a combination of institutions and measures, reinforcing accountability on several scales. We will look at two very different organizations, the State Comptroller and an independent panel in the borough of Manhattan, both dedicated to carrying out thorough budget oversight in their respective capacities. As well, we will discuss some of the accountability reforms being proposed at City Hall to better scrutinize council’s budgetary practices.

NEW YORK CITY, NEW YORK

THE STATE COMPTROLLER

The Office of the State Deputy Comptroller (OSDC) monitors the New York City government's finances and agency operations to deter waste, fraud, abuse, and maintain and improve the city's overall fiscal health. The OSDC conducts an objective, independent review to foster budget health through proper stewardship and accountability. In addition, this office publishes several reports to develop public understanding of the following:

- Financial plans and policy issues;
- Economic development trends related to major policy areas like energy and housing; and,
- Budgetary issues affecting public agencies and boards like the Metropolitan Transportation Authority and NYC Health and Hospitals Corporation.

Under the direction of the OSDC, the Bureau of Fiscal and Budget Studies (FABS) monitors the City of New York's revenue collection, expenditures, capital program, debt capacity and economy. FABS undertakes a comprehensive review of the main components of the City's budget, focusing on aspects such as soundness of fiscal and economic assumptions as well as changes in expense and capital budget. As mandated by the New York City Charter (NYC Charter), FABS prepares a number of specific reports and statements. One such publication is Economic Notes, a periodic report which tracks and compares important local and national economic indicators. Typically, this publication analyzes how broader socio-economic factors or macroeconomic policies impact the local budget. Economic Notes also offers policy implications and recommendations to stimulate economic mobility and growth.

BOROUGH-LEVEL ACCOUNTABILITY IN MANHATTAN

Each of New York City's five boroughs has a borough president responsible for monitoring service delivery within their jurisdiction.⁴⁶ Borough presidents receive discretionary funding based on formulas set out in the NYC Charter. However, the individual items they fund are not described in budget documents, making the grants process somewhat unclear for those outside City Hall. In an effort to promote openness, Manhattan borough president Scott Stringer has launched the Budget TranspareNYC initiative. Stringer lists line items of funded projects as well as applicants who did not receive discretionary funding, enhancing the transparency of budget decision-making.⁴⁷

Stringer also offers Budget TranspareNYC as an avenue for input into the dissemination of community grants. The Manhattan Borough President's Office (MBPO) Community Grants Program strives to enhance the level of public disclosure around discretionary funding while also making the budget process more accessible to residents. The MBPO organizes five independent panels, each comprised of three urban issue experts, one Manhattan Borough Board representative and one city council committee representative overseeing community development agencies, to review grant proposals submitted by local organizations. Urban issue experts are selected from an application process based on their expertise, experience and knowledge of MBPO's funding areas: seniors' services, early childhood education and youth development, urban health initiatives, correctional systems, and parks and recreational facilities. Panelists review applications based on the overall MBPO objective which is to support local organizations that provide community benefits through partnership with city agencies. Panelists provide comments on the policy implications of the proposed project and funding needs of the proponent to the MBPO's Director of Budget and Grants as a means of injecting an informed local perspective into the allocation of community development funds.⁴⁸

Borough presidents are mandated by the NYC Charter to perform an annual budget priorities assessment in their communities and subsequently submit a list of recommendations to city council, in addition to an individual response to the Mayor's preliminary and executive budgets. Though these mandated functions have typically been conducted through public hearings and community meetings, Stringer has opted to experiment with virtual mediums as tools for advocacy and communication. The Manhattan Borough Board Budget Priorities Survey was launched online in 2010 to gather feedback on proposed budget cuts. With the help of WebServes, a local non-profit organization, public responses were collected, analyzed, and eventually used to shape the Borough Board's Budget Priorities report.⁴⁹ Borough President Stringer has also offered community members the opportunity to inform his response by way of an online survey for his preliminary 2013 budget response.

BUDGETARY REFORM VIA CITY COUNCIL

Local government watchdog, Citizens Union of the City of New York (Citizens Union), states that public scrutiny of discretionary funding (especially expense funds) has intensified in the last couple of years. This is in part due to the growing suspicion of foul play among councillors which, in 2008, led to a federal investigation of city council's budget practices.⁵⁰ This scrutiny has stimulated the following reform proposals aimed at enhancing levels of accountability and transparency in the budget process:⁵¹

- Granting the Mayor's Office of Contracts the power to oversee the discretionary funding or grants allocation process with measured input from the Speaker and council members;
- Subjecting council members' earmarked funds to a more comprehensive review and certification process developed in collaboration with the Office of the New York State Attorney General; and,
- Seeking a change in the NYC Charter to create permanent positions for independent municipal officers, tasked with carrying out an oversight function (four-year term and removal from office only for cause).

These reforms spearheaded by City Council Speaker⁵² Christine Quinn and members of the finance committee were meant to enhance transparency and accountability in the City's budgeting process. The reform seeking new independent officers at the municipal level included appointing an Independent Council Compliance Officer as well as a Deputy Compliance Officer within the city's finance division. These officers would be required to oversee Council's adherence to procurement rules, Charter mandates and State Comptroller directives, as well as coordinate with the Speaker and General Counsel to examine and implement best practices in these areas.⁵³

Dick Dadey, executive director of Citizens Union, stated the potential outcome of such reforms being a "greater level of transparency to the Council's review, discussion and enactment of the city budget, particularly as it relates to the often unknown process by which member items have been rewarded over the years."⁵⁴ Dadey considers these reforms a significant step towards ridding New York City's government of inappropriate practices and putting mechanisms in place to hold the budget process and its actors accountable to residents.

IDEAS FOR TORONTO

In New York City's case, institutional oversight of the budget process is established at multiple levels from the state down to the borough. It is an interesting oversight structure, ranging from an agency, mandated by law to monitor the city's budget, to a local accountability initiative, which triggered the formation of a group of community experts to oversee the distribution of discretionary funds. At the borough level, there is a notable integration of the public in the oversight of the budget

process, therefore facilitating both internal and external accountability. City Council Speaker Quinn has championed budget reform and recruited support from fellow councillors in an effort to institutionalize new accountability measures and structures. The political scandal flowing from the 2008 federal investigation triggered proposals for reform to council's treatment of discretionary funds. There was public pressure to restructure the system, assuring that ethics, professional conduct, and rule of law dictate all decisions and behaviours of those in public office.

The increasing size and complexity of Toronto's budget makes consideration of more formal, arm's length oversight mechanisms appropriate. Toronto and its community members would have benefited from arm's length scrutiny of the budget process to quash the controversy over the size of last year's budgetary shortfall and contain its impact on potential service reductions. Though the city has a municipal auditor general and ombudsman, both offices are currently confined to reactive and issue-based roles revolving around complaints of fraud and administrative unfairness, leaving little room to scrutinize the budget process from a broader perspective.

While the mandates of these accountability offices place the budget process outside their purview, it is important to consider that funding may also contribute to the narrowing of their respective oversight lens. In 2011, the city's ombudsman office requested an increase of \$1,494,000 in the budget to allow for two additional staff positions deemed necessary to enhance the organization's capacity to carry out efficient and thorough investigations. The request was turned down by City Council. In an effort to honour Mayor Ford's demand for across-the-board cuts, the ombudsman reduced its 2012 operating budget request by \$35,900.⁵⁵

The 2012 Ombudsman report states that the complaint, appeal, and investigation system plays an important role in shaping accountability and good governance. Funding restraints further complicate and impede the office's efforts to fulfill its mandate of improving Toronto's public service by independently investigating issues raised by community members. The organization has identified inequitable access to services for Torontonians in suburbs like Scarborough and Etobicoke as a primary concern. Service efficiencies and budget cuts will further cripple their outreach efforts to marginalized populations outside of the downtown core.⁵⁶ Until accountability officers receive the steady and unconditional stream of funding needed to fulfill their existing mandates, it is unlikely that they will be expanded to include oversight of the city budget process.

Fiscal Prudence

A narrow focus on cutting expenditures may deliver superficial fiscal health, at the expense of marginalized communities. This takes away from the city's capacity to meet the demand for developmental and redistributive policies. - Cal Clark and B. Oliver Walter, in "Urban Political Cultures, Financial Stress, and City Fiscal Austerity Strategies," 1991

Some of our political leaders tell us that this is a time for cost-cutting, a time for sacrifice. As such, they offer an austerity agenda as the only way back to economic prosperity and growth. Opponents of austerity claim that this approach erodes core policies and programs, which have fostered the growth of both our economic and social institutions. Austerity monopolizes the budget conversation with accusations of "excessive government spending and public sector compensation" and calls for "downsizing government by cutting taxes, wages and benefits of public sector employees and selling government assets."⁵⁷ This lopsided battle plan for alleviating the fiscal crisis fails to look at both sides of the ledger.

Fiscal prudence offers an alternative approach to post-recessionary budgeting. According to Alex Himelfarb, it includes "spending wisely, reducing waste, collecting sufficient taxes to pay for the public goods and services we want, and keeping debt coming down, at least during reasonably good times."⁵⁸ As well, many scholars argue that our persistent neglect of the need for new forms of municipal revenue generation stalls growth, leaving city governments completely dependent on property taxes, user fees and transfers.⁵⁹

Domenic M. Recchia, chairman of New York City's Council Finance Committee, responded to Mayor Michael Bloomberg's executive spending plan for 2013 by arguing for consideration of the impacts of budgetary decisions on residents' quality of life.⁶⁰ Though restraint may be required to achieve fiscal stability, it is the responsibility of council members and the civil service to explore cost-cutting and revenue generation options, as well as their implications for the social and economic life of the city.

The case studies for fiscal prudence are based in Chicago and New York City. In both cities, we look at two independent municipal agencies that publish budget options reports, adding depth to discussions on how these cities can attain fiscal stability.

CHICAGO, ILLINOIS: OFFICE OF THE INSPECTOR GENERAL BUDGET OPTIONS

Chicago's Office of the Inspector General published its *Budget Options for the City of Chicago* report in September 2011 as a framework for detailed analysis and discussion of how the city can confront its structural budget deficit. The report states that in the current economic climate, such examination is crucial to ensuring efficiency and effectiveness in municipal budgeting. The Inspector General presents 63 costed options for decreasing spending or raising revenues. The report offers non-partisan and objective information, providing city council and the public with crucial tools for important and difficult decisions.

NEW YORK CITY, NEW YORK: INDEPENDENT BUDGET OFFICE (IBO) BUDGET OPTIONS

The New York City IBO released *Budget Options for New York City* in April 2012. This report guides policy-makers and the public in their discussions about municipal expenditures and revenues. Each option is accompanied by objective discussions of pros and cons, to give readers perspective on the trade-offs inherent in these decisions. This report provides an opportunity for the city to build a

budget process that includes both sides of the story and looks beyond the status quo.

IDEAS FOR TORONTO

Chicago and New York City both publish documents outlining budget options. Both cities draw their analyses from independent, non-partisan agencies. These documents support the budget process in a number of ways. They:

- Provide a common starting point for councillors, advocates, and members of the public;
- Provide concrete and credible information;
- Are publicly accessible; and,
- Provide information for a better understanding of the trade-offs, contributing to the broader conversation required for informed advocacy.

Replacing the antiquated “all or nothing” options for balancing the books with well-thought out alternatives provides for a more informed debate. Entertaining the possibilities associated with a wider range of budget options may very well lead to choices that are consistent with strategic community development goals and fiscal priorities. Instead of debating between cuts to libraries and community recreation programs, we can engage in a broader, more informed debate about long-term investments in the public realm.

The 2011 core service review, conducted by consulting group KPMG, offered residents a one-sided view of Toronto’s options for moving forward. Though the report explored the potential savings associated with cuts and service level adjustments to community programs, there was no analysis or discussion of costs or long-term impacts, suggesting that these proposed cuts could be more harmful than they appear. When asked by a Toronto councillor if the long-term impacts of their suggestions regarding cuts to business improvement areas, arts programs, and social services had been considered, the consultants maintained that the terms of reference did not require the review to quantify impacts of service cuts or reductions.⁶¹

In September 2011, the City Manager presented his Final Report, outlining recommendations on how city council could mitigate its financial pressures through proposed cost-saving measures, to the Executive Committee.⁶² But there was no companion report laying out Toronto’s revenue generation options. Examining revenue generation as well as cuts to spending would have allowed city council and communities to engage in a strategic planning exercise to map the policy and political implications of the options presented. The City of Toronto could have also worked with community partners and members of the public to undertake a health equity or social impact assessment study, prioritizing the examination of any health, social and economic implications of the proposals for service cuts.⁶³ This type of exercise would have facilitated a more comprehensive and collaborative budget conversation, gradually building a mechanism for fiscal prudence into the broader budget process.

Transparency Through Third-Party Intermediation

Transparency is an effective check on governmental actions, allowing all governmental actors as well as the public to understand the consequences of their actions. — NYC Council report to NYC Charter Commission, June 2010

Municipal budget processes grow increasingly complex, resource-intensive and time-consuming with each passing year. Cities carry a unique set of challenges and opportunities, further complicating the path to broader understanding, engagement, analysis, and activism around budgeting. In response to the growing chasm between city hall and community members, civil society organizations have stepped up to play the role of mediator in the budget process, to expand the budget oversight, information dissemination, and analysis capacity outside the walls of city hall.⁶⁴

Third-party intermediation has been described as a “mechanism for making government intelligible for the people,” a means for ensuring transparency, accountability and corruption-reduction in the budget process.⁶⁵ It is based on the concept of “delegated monitoring,” which acknowledges the transference of responsibility to non-partisan organizations, now tasked with auditing local government operations and making information available to non-specialists, analysts, and other external parties. Intermediaries are expected to develop expertise in municipal fiscal policy to “deter or reduce opportunistic behaviour of insiders.”⁶⁶ Third parties can offer alternative perspectives and innovative proposals to the budget discussion without the hindrance of political obligations.

Traditionally, resident participation in budget processes has been driven by city administrations or grassroots movements that emphasize direct democracy. Over time, the increasing complexity and inaccessibility of city budget processes have increased the need for third-party intermediation as a complement to other efforts. Civil budget intermediaries work towards enhancing the legitimacy of public budgeting as well as responsiveness to local needs and goals.⁶⁷ The United Nations lists the following elements of civil budget work that contribute to healthy governance:

- Developing budget literacy of the process, institutions, and trends as well as enhancing the outreach capacity of budget actors;
- Synthesizing and disseminating budget information, including local and international best practices to allow for comparative analysis;
- Augmenting independent research capacity as well as the development of specialty areas;
- Integrating new information in budget decision-making through consistent interactions with community members and interest groups, further illuminating local priorities and non-government perspectives;
- Building advocacy capacity and networks capable of supporting an external oversight function; and,
- Reinforcing channels of accountability for external stakeholders, thus maintaining the integrity of the process.⁶⁸

The case studies for transparency through third-party intermediation are based in Philadelphia and New York City. In Philadelphia, two organizations, Philadelphia Forward and the Committee of Seventy, act as budget intermediaries with different approaches. As well, the Citizens Union of the City of New York performs a similar budget education and communication function for residents.

PHILADELPHIA, PENNSYLVANIA: PHILADELPHIA FORWARD AND THE COMMITTEE OF SEVENTY

The Pennsylvania Intergovernmental Cooperation Authority (PICA) provides a *Citizens' Guide to*

the Budget and includes detailed descriptions of the city's revenues and expenditures, historical trends, and comparative analyses. However, the document is quite technical for the average reader. PICA states that the guide is designed to inform the public about how the city's core operations are financed, while accounting for all expenditures.

Philadelphia Forward, on hiatus since 2008, is a non-partisan, non-profit organization that has educated residents about the municipal budget while attempting to stimulate budget reform. This organization has acted as an intermediary in the budget process by supplementing the engagement efforts of the civil service and elected officials. Philadelphia Forward created a layperson's guide to the city budget, entitled *Understanding the City Budget*, which includes the following components:

- Basic budgeting — essential information about the budget process;
- Intermediate information — what really matters in the process;
- Advanced advice — what's wrong with the process and how can it be fixed.

Philadelphia Forward also launched a publication called *Budgetwatch*, which enhanced transparency of individual budget decisions by providing readers with discussion of historical context, associated political actions, and subsequent policy implications associated with a particular budget issue.⁶⁹ Collectively, these tools fostered budget literacy, promoted resident engagement and, ultimately, enhanced fiscal transparency.

The Committee of Seventy is a non-partisan organization that attempts to break down barriers to transparency and participation in city budgets and policy-making. The committee synthesizes budget information and condenses it into plain language, understandable and appealing to a wider audience including experts and lay people. One of its educational resources, the *How Philly Works* series, includes short and easy-to-read pieces explaining different aspects of the budget such as labour negotiations and revenue generation strategies, clarifying complex concepts and opportunities for residents to engage in the budget process. The *Roadmap to Reform* series focuses on issues relating to accountability, transparency, and effectiveness as well as examines best practices from other jurisdictions. To avoid and minimize opportunities for external influence on its recommendations, this organization does not pursue government funding. The committee chooses to rely solely on contributions from supporters, further committing to providing Philadelphians with an independent perspective on municipal budgeting.⁷⁰

NEW YORK CITY, NEW YORK: CITIZENS UNION OF THE CITY OF NEW YORK

Citizens Union of the City of New York (Citizens Union) is a non-partisan, independent organization that advocates for good governance based on principles of accountability, transparency, and resident engagement. Citizens Union acts as a civic watchdog for the state and city government, monitoring the political process and reporting on emerging policy issues as well as opportunities for reform. Citizens Union provides non-partisan budget information in several different formats, including issue briefs, position statements, policy reports, and amicus briefs.⁷¹ These analytical documents are intended to support a deeper understanding of the major players and tradeoffs embedded in the budget process while also mobilizing communities around reform proposals.

Citizens Union's most recent report, *Creating a More Equitable and Objective Discretionary Funding Process in New York City*, focused on the need for increased transparency, accountability, and equity in city council's distribution of discretionary funding (often funneled into communities as grants). This document traces legislative, political, and policy changes over time while also providing options for budget reform.

IDEAS FOR TORONTO

Non-profit organizations have stepped up to take on the role of budget intermediary by bridging the communication gap between City Hall and the communities it serves, and by better integrating elements of simplicity, clarity and brevity in discussions. Successful budget intermediaries develop meaningful expertise and produce relevant information from one budget period to another, eventually establishing themselves as a reliable and essential component of the overall process. These third party organizations are not meant to replace the civil service, but to supplement their work by enhancing public understanding of the process, developing platforms for meaningful participation, and facilitating transparency.

Toronto's budget intermediaries sometimes face considerable roadblocks in their efforts to carry out these functions. A lack of access to contextual information and statistical data makes it difficult for intermediaries to paint an accurate and timely picture for residents, making advocacy and organizing efforts slightly fragmented. The lack of resources and continuous support from City Hall further impedes the development and timely publication of relevant documents such as a comprehensive post-mortem of the budget process outlining what battles were won and lost as well as next steps for advocacy and engagement.

Despite these challenges, local organizations, like Social Planning Toronto (SPT), have emerged as notable budget intermediaries, providing up-to-date analyses on budget issues and opportunities for engagement in the budget process. In 2011, SPT launched the Commitment2Community (C2C) campaign to mobilize communities against proposed cuts to public services in the 2012 budget. C2C harnessed the expertise of SPT along with other local agencies to publish reports and budget updates, organize community meetings, and form ward teams to disseminate budget information.

The City should consider how it can better support and enhance the role and initiatives of budget intermediaries in the budget process. As Toronto councillors push for mitigating the systemic budgetary shortfall with cost-cutting measures each year, the need for budget intermediaries, like SPT, will increase. These organizations play a valuable role in articulating local needs by broadening the budget discussion as well as building community networks.

Reflections

Our budget processes sit at the heart of community development, providing spaces for social interaction, collective learning, problem-solving, and resource sharing. We therefore challenge municipal governments, especially Toronto's very own, to consider how our local budget process could better identify and address growing health and social inequalities.

Each jurisdiction examined — Calgary, Chicago, New York City, and Philadelphia — offer strategic lessons for Toronto:

1. Resident engagement:

- **City Council should work with community partners to foster a new culture of engagement in municipal decision-making.** Calgary city council prioritized resident engagement and conducted a multi-year exercise experimenting with a mix of traditional and innovative engagement models to ask residents: how can we better communicate with you and how can the budget better serve your needs?
- **Toronto City council should re-launch the Toronto Civics 101 program and explore the introduction of participatory budgeting in the city's budget process as a means of providing community members with more substantial and diverse options for engagement.** Chicago alderman Joe Moore recognized the limitations of engaging residents in the latter half of the budget process and launched a pilot participatory budgeting project in Ward 49, injecting life into local decision-making by empowering residents to directly influence how resources are allocated to meet local infrastructure needs.

2. Accountability through oversight:

- **The increasing size and complexity of Toronto's budget makes consideration of more formal, arm's length budget oversight mechanisms appropriate.** There are lessons to be learned from New York City's struggle to quash the stigma of past corruption scandals. The expansion of oversight duties to different actors (at the provincial, municipal, and neighbourhood levels), and enforcement of budget information disclosure may prove crucial for maintaining good governance and public trust in city government.

3. Fiscal prudence:

- **Toronto City Council should map the fiscal, social and health implications of all budget options.** Both Chicago and New York City produce non-partisan reports containing budget options as well as analyses explaining the trade-offs of each, thus informing decision-makers.

4. Transparency through third-party intermediation:

- **Harness the power of local budget intermediaries by enabling them to enhance public understanding of the budget process, develop platforms for meaningful participation, and facilitate transparency.** Philadelphia residents have been provided with an independent perspective on municipal budgeting by Philadelphia Forward and Committee of the Seventy. Both work to foster budget literacy while also supporting the engagement efforts of city staff and elected officials. Citizens Union of the City of New York strives to promote principles of accountability, transparency, and resident engagement in city budgeting. By synthesizing and condensing budget information, residents are offered insight into policy issues as well as ideas for broader budget reform.

These case studies show that although budget reform does not follow a template, cities may adapt the formula to better align with their fiscal priorities and improve outcomes. While pre-emptive action or precautionary measures are valuable in maintaining public trust in the budget process, the subsequent frustration from a scandal or recurring mismanagement of the process can sometimes push us past complacency and spur local action. Over the last few years we have seen a renewed

interest in city politics, decision-making and public spending in Toronto, as community members exercise their right to shape the city in which they live. This proves that with the right impetus we can restructure our local governance systems, including our budget processes, to better reflect our collective urban identity.

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