



# News Release

## **2024/2025 Budget Status Update: The first step in the City’s Budget Process**

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Pressures of inflation, lower than expected revenues that have not recovered post-pandemic, and service requirements for a growing city, have all contributed to an unprecedented revenue gap in 2024 and 2025. “The City of Saskatoon is not immune to the ongoing financial pressures that our business community and residents are facing,” says Clae Hack, Chief Financial Officer.

“We recognize that significant adjustments will be required to reduce the revenue gap not only for 2024 and 2025, but over the next number of years to address ongoing inflation and the lingering impacts the pandemic have had on the City.”

“While identifying the funding required to maintain ‘business as usual’ service levels is an important first step to understanding the pressures facing the City, we know there are going to be challenging decisions to make over the months ahead to drive the funding gap and property tax impact down.”

Hack again stresses the Administration is not recommending any budget or property tax rate at this point; the 2024/2025 Budget Status Update information report provides the foundation for discussions over the next several months with City Council regarding options. While higher than anyone would want, Hack says the figures represent the fully transparent view of the financial pressures facing the City’s 2024/2025 budget, summarized in the table below:

	<b>2024 Funding Gap (in millions)</b>	<b>2025 Funding Gap (in millions)</b>
Inflation	\$30.5	\$15.0
Base Budget Adjustments	\$18.4	\$2.4
Growth	\$10.9	\$5.8
Black Cart – Utility Program	(\$7.4)	-
<b>Total</b>	<b>\$52.4</b>	<b>\$23.2</b>

## **Inflation**

The inflationary pressures are daunting: for example, at times, the City is experiencing 30 per cent increases in contracts to maintain the roadway treatment cycle; Saskatoon Light & Power has experienced an increase of 33 per cent in material prices, and the Saskatoon Fire Department has had fire engine costs increase from \$900,000 to \$1.5 million for a new apparatus unit – a 60 per cent increase.

## **Growth**

In terms of growth, the City requires resources to address the needs of a growing city. Examples of some of the growth pressures facing 2024 and 2025 include the opening of operations at Recovery Park; extending Saskatoon Transit services for Aspen Ridge, Evergreen and North Kensington; the future East Leisure Centre expected to open in 2029; the future Fire Station expected to open in 2026; future Emergency Snow Event responses; and for phase-ins to fund the Bus Rapid Transit.

## **Base Budget Adjustments**

Base budget assumptions are typically for expenses or revenue budgets that have become misaligned with actuals over time. The misalignment could be due to several reasons including over-estimation of revenues or incorrect prior-year assumptions.

The most significant base budget impact in 2024 relates to a key budget management strategy throughout the pandemic which was to use one-time funding to offset operating revenue decreases and to assist with additional COVID-related expenditures, to minimize property tax increases. The strategy envisioned that revenues would return to pre-pandemic levels by 2024 and one-time funding would no longer be needed.

Unfortunately, operating revenues have not returned to pre-pandemic levels and the \$10.0 million in one-time funding that was included in the 2023 budget has been fully utilized, creating a gap in the 2024 budget.

If the revenue gap is left unmitigated, the City would be faced with an 18.56 per cent property tax impact for 2024, and 6.95 per cent for 2025. The City will work hard to put forward strategies and options to help minimize future property tax increases. City Council will be provided with meaningful options over several planned **Special Budget Meetings** that could significantly lower the 2024 property tax and return the property tax rate in 2025 to be more in line with historical trends

“The City is not alone. Inflation and post-pandemic effects continue to impact municipalities across Canada also challenged with finding solutions to combat mounting budget pressures,” Hack says. “We’re not happy where the figures are at, and we will work to provide viable options for City Council over the months ahead to lower the revenue gap and associated property tax increases for 2024/2025.”

The additional Special Budget Meetings are planned over the next months in the lead-up to City Council finalizing its 2024/2025 Multi-Year Business Plan and Budget in November this year.

The **2024/2025 Budget Status Update** information report will be considered by the Governance and Priorities Committee (GPC) on Wednesday, June 14 at 9:30 a.m.

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