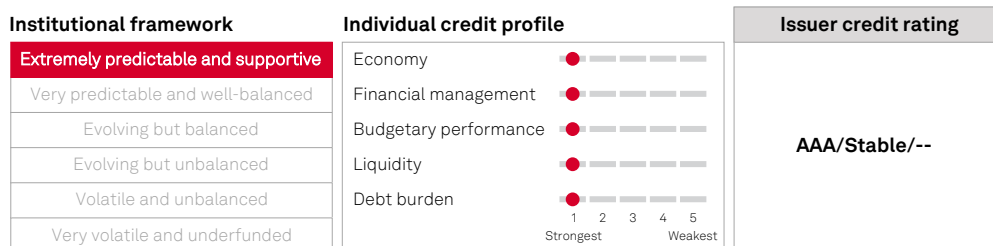


# City of Saskatoon

January 15, 2025

This report does not constitute a rating action.

## Ratings Score Snapshot



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## Credit Highlights

### Overview

#### Credit context and assumptions

Saskatoon's small, diverse economy and strong population growth will support its creditworthiness.

Effective financial management practices will support strong operating balances.

An extremely predictable and supportive local and regional government framework bolsters our view of the city's creditworthiness.

#### Base-case expectations

Stable property tax receipts will sustain high operating surpluses, enabling the city to fund its capital plans partially from reserves.

High operating balances and capital grants support the city in maintaining a manageable debt burden.

The city's exceptional liquidity position will continue to underpin its creditworthiness.

We expect Saskatoon's small, diversified local economy, along with a growing population and steady property tax increases, will allow it to generate healthy operating results over the next several years. We also expect the city will partially fund its capital plan from reserves, as well as debt, as it undertakes capital works including the new central library and the Bus Rapid Transit system. At the same time, Saskatoon's robust liquidity will remain a key credit strength.

## Outlook

The stable outlook reflects S&P Global Ratings' expectation that Saskatoon will continue to benefit from a resilient economy that supports budgetary performance, maintain exceptional

liquidity, and keep its debt burden manageable at under 40%. In addition, we expect the city's strong financial management, coupled with an extremely predictable and supportive institutional framework, will support the rating.

## Downside scenario

Although unlikely in the next two years, we could lower the rating if a larger than expected capital plan, and an inadequate response from management resulted in sustained and significant after-capital deficits, and increased debt issuance caused tax-supported debt to exceed 60% of operating revenues.

## Rationale

### **A strong economic profile, coupled with sound financial management, reinforces Saskatoon's creditworthiness.**

As the largest Census Metropolitan Area (CMA) in Saskatchewan, while small, Saskatoon is a key economic hub in the province and on the Canadian Prairies. According to the 2021 Canadian census, the CMA population grew 7.6% over the previous five years; available indicators suggest that a similar trend will continue in the near term. Despite its size compared with larger cities in North America, the local economy is diverse, with a significant presence in the agriculture and natural resources (potash and uranium mining) sectors, and a robust local public sector. Despite potential headwinds and knock-on effects that could affect exporting sectors, we expect the local economy will remain resilient. We believe that the city's average GDP per capita will remain higher than the national level of US\$54,400 in 2025.

Saskatoon's strong and prudent financial management is a key credit strength, in our view. Although the recent municipal elections resulted in a historic turnover among council, the city's administration remains largely stable, with significant experience and a record of effectively enacting fiscal policies. S&P Global Ratings does not assume a significant shift in strategic priorities as a result of the council's turnover. Saskatoon typically passes budgets before the start of the fiscal year with minimal variations from projected revenues and expenses. We view both management accountability and transparency to be strong, as reflected in ongoing disclosures and grounded assumptions, as well as prudent financial policies. The city consistently produces robust annual budget documents. It also prepares multiyear operating and capital budgets for upcoming years, alongside comprehensive long-term capital and borrowing plans. This underpins fiscal transparency and discipline, in our assessment.

As do other Canadian municipalities, Saskatoon benefits from an extremely predictable and supportive local and regional government framework that has demonstrated high institutional stability and evidence of systemic extraordinary support in times of financial distress. Most recently through the pandemic, senior levels of government provided operating and transit-related grants to municipalities, in addition to direct support to individuals and businesses. Although provincial governments mandate a significant proportion of municipal spending, they also provide operating fund transfers and impose fiscal restraint through legislative requirements to pass balanced operating budgets. Municipalities generally have the ability to match expenditures well with revenues, except for capital spending, which can be intensive. Any operating surpluses typically fund capital expenditures and future liabilities (such as postemployment obligations) through reserve contributions. Municipalities have demonstrated a track record of strong budget results and, therefore, debt burdens, on average, are low relative to those of global peers and growth over time has been modest.

**Saskatoon’s strong budgetary performance will ensure a manageable debt burden amid large capital expenditures.**

Saskatoon is embarking on a large capital plan for both asset maintenance and growth projects. These include the city’s Bus Rapid Transit, the new central library project, infrastructure maintenance, and firehalls. The projects will be partially funded out of the city’s robust reserves; therefore, we expect Saskatoon will generate after-capital surpluses averaging 2.8% of revenues during the base-case period. At the same time, we expect Saskatoon will continue to generate healthy operating surpluses over the next several years, averaging 20.7% over 2023-2027, supported by growth in the local assessment base and population, and by healthy property tax increases.

We expect the city will maintain a manageable debt burden over the forecast period. After issuing C\$50 million in 2024, Saskatoon intends to issue an additional C\$234 million in 2025-2027, which will support its capital projects; we expect the debt burden will remain below 40% of consolidated revenues through 2027. The city’s exceptionally high operating balances also support its low debt burden, mitigating some of its growth. Similarly, we expect the interest burden will remain low, averaging 1.1% of adjusted operating revenues between 2024 and 2026.

Saskatoon’s liquidity is a key credit strength. We estimate free cash and investments will be close to C\$853 million in the next 12 months; we expect this will cover more than 32x the next 12 months’ debt service. We expect that this ratio will remain well above 100% over the forecast horizon. As with other domestic peers, we view the city’s access to external liquidity as satisfactory.

## City of Saskatoon Selected Indicators

Mil. C\$	2022	2023	2024bc	2025bc	2026bc	2027bc
Operating revenues	996	1,047	1,086	1,118	1,157	1,194
Operating expenditures	758	834	860	886	916	945
Operating balance	239	213	226	231	241	249
Operating balance (% of operating revenues)	23.9	20.4	20.8	20.7	20.8	20.9
Capital revenues	141	88	156	166	180	169
Capital expenditures	246	263	345	365	396	372
Balance after capital accounts	134	38	38	32	25	46
Balance after capital accounts (% of total revenues)	11.7	3.3	3.0	2.5	1.8	3.4
Debt repaid	20	16	15	14	19	21
Gross borrowings	2	2	50	115	62	55
Balance after borrowings	115	24	74	133	68	80
Direct debt (outstanding at year-end)	79	71	111	217	267	306
Direct debt (% of operating revenues)	7.9	6.7	10.2	19.4	23.0	25.6
Tax-supported debt (outstanding at year-end)	268	253	286	386	429	462
Tax-supported debt (% of consolidated operating revenues)	26.9	24.2	26.3	34.5	37.1	38.7
Interest (% of operating revenues)	1.2	1.1	1.0	1.1	1.3	1.4
Local GDP per capita (single units)	N/A	N/A	N/A	N/A	N/A	N/A
National GDP per capita (single units)	73,221	73,192	73,124	75,009	77,624	79,807

## City of Saskatoon

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N/A--Not applicable. N.A.--Not available. N.M.--Not meaningful.

### Rating Component Scores

Key rating factors	Scores
Institutional framework	1
Economy	1
Financial management	1
Budgetary performance	1
Liquidity	1
Debt burden	1
Stand-alone credit profile	aaa
Issuer credit rating	AAA

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "Methodology For Rating Local And Regional Governments Outside Of The U.S.," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

## Key Sovereign Statistics

Sovereign Risk Indicators, Dec. 9, 2024, Interactive version available at <http://www.spratings.com/sri>

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- S&P Global Ratings Definitions, Dec. 2, 2024
- Economic Outlook Canada Q1 2025: Immigration Policies Hamper Growth Expectations, Nov. 26, 2024

## City of Saskatoon

- Risk Indicators For Canadian Local And Regional Governments: Strong Fiscal Management Is Key To Withstand Population Pressure, Sept. 19, 2024
- Institutional Framework Assessment: Canadian Municipalities Employ Flexibilities Within Fiscal Framework To Temper Cost Pressures, April 2, 2024
- Sovereign Rating Methodology, Dec. 18, 2017

### Ratings Detail (as of January 15, 2025)\*

#### Saskatoon (City of)

Issuer Credit Rating	AAA/Stable/--
Senior Unsecured	AAA

#### Issuer Credit Ratings History

29-Jul-2002	<i>Foreign Currency</i>	AAA/Stable/--
12-Jul-2001		AA+/Stable/--
12-Jul-2001	<i>Local Currency</i>	AAA/Stable/--

\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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