

# Preliminary 2026 and 2027 Financial Forecast

## ISSUE

The City of Saskatoon's (City) business plan and budget serves as the resource allocation plan for delivering City programs and services effectively. Accordingly, this report provides a 2026 and 2027 forecast and seeks City Council's policy guidance.

## RECOMMENDATION

The Governance and Priorities Committee (GPC) recommend to City Council that:

1. The requirement for City Council to approve an indicative rate, as outlined in Council Policy No. C03-036, be waived for the 2026 and 2027 Budget;
2. Administration be directed to continue to refine the budget to reduce the proposed property tax rate increases by 1 percentage point in each of 2026 and 2027 which will be the budget presented at the November 25, 2025, Budget Deliberation meeting; and
3. Administration be directed to present a report with two additional scenarios to the November 25, 2025, Budget Deliberation meeting that detail how a further 1 percentage point reduction and a further 2 percentage point reduction could be achieved including implications of those scenarios.

## BACKGROUND

City Council adopted Council Policy No. C03-036, [Multi-Year Business Plan and Budget Policy](#), which sets the City's approach to business planning and budgeting. This approach instructs the Administration to forecast operating expenditures and revenues required to maintain existing services as well as incorporate the cost of any previous City Council direction early in the budget process. This includes allocations for annual inflation and growth implications.

Because of the significant inflationary impacts that emerged during the 2024/2025 budget process, City Council directed the Administration to phase in those implications to the budget over several years. This includes phase-ins for roadways, facility maintenance, fire apparatus and Saskatoon Light and Power asset management requirements over five years as part of the July 25, 2023, Governance and Priorities Committee Special meeting when considering the [2024/2025 Budget Inflationary and Phase-in decisions report](#). These phase-ins are aimed at returning purchasing power to several of the City's infrastructure programs through additional investment above and beyond annual inflationary needs. For reference, examples of inflationary pressures since 2021 on several commonly purchased materials by the City including sand (22.9%), asphalt (38.3%), buses (22.7%) and cement (27.9%) from various Statistics Canada indexes are outlined in Table 1 below:

Table 1- Various Statistics Canada Price Indexes

Materials and Equipment Inflation (Price Change in Various Producer Price Indices and Selected Products)					
Canada, Annual Average, Year over Year Rate of Change.					
Price Index/ Product Categories	2021	2022	2023	2024	Cumulative
<b>Raw Materials Prices</b>	<b>32.4%</b>	<b>23.7%</b>	<b>-8.1%</b>	<b>0.4%</b>	<b>48.4%</b>
Crude energy products	65.2%	49.4%	-17.8%	-3.9%	92.9%
Stone, sand, gravel products	3.4%	6.8%	8.4%	4.3%	22.9%
Logs, pulpwood and other forestry products	25.9%	24%	-16.2%	-7%	26.6%
Metal ores and concentrates products	14.5%	3.5%	2.1%	9.4%	29.6%
<b>Industrial Product Prices</b>	<b>13.9%</b>	<b>12.8%</b>	<b>-1.8%</b>	<b>0.9%</b>	<b>25.7%</b>
Asphalt	18.9%	34.2%	-10.4%	-4.3%	38.3%
Cement	0.5%	8.1%	7.9%	11.4%	27.9%
Lumber and other wood products	40.4%	-3%	-24%	2.2%	15.6%
Metal building and construction materials	31.7%	18%	-2.6%	-2.6%	44.5%
<b>Machinery &amp; Equipment Prices</b>	<b>-2.8%</b>	<b>8.5%</b>	<b>7.7%</b>	<b>3.5%</b>	<b>16.9%</b>
Light Duty Trucks	-4%	5.2%	6.8%	3.1%	11.1%
Medium and Heavy Duty Trucks	-4.6%	9.6%	9.7%	3.6%	18.3%
Buses	-6.3%	12.2%	12.5%	4.2%	22.7%

Source: Calculations from Statistics Canada Tables 18-10-0268-01, 18-10-0266-01, and 18-10-0283-01

As part of the City's internal budget planning process, any increases in departmental budgets are reviewed by the Executive Leadership Team (ELT) prior to presentation to GPC. Estimated budgetary reductions of \$9.5 million in 2026 and \$4.4 million in 2027 were made during ELT review. As a result, from the Administration's perspective this forecast reflects the minimum requirements to enact City Council's previous budgetary directions and address anticipated 2026 and 2027 inflationary and growth impacts to maintain existing service levels.

## DISCUSSION/ANALYSIS

The development of this early financial forecast considers four distinct factors:

- Phase-in and Previous Direction from City Council;
- Civic Operating Expenditures estimates to Maintain Existing Service Level;
- Civic Operating Revenue estimates; and
- Saskatoon Police Service budget estimates.

The remainder of this section provides an overview of these estimates with further details found in Appendices 1, 2 and 3.

### Expenditures for Phase-ins and Previous Direction from City Council

This category includes items such as:

- Phase-ins for the City's Bus Rapid Transit (Link) system, expected to be operational in 2028 (see Appendix 4);
- Operating costs for two new fire halls anticipated to be open in 2027; and
- Phase-ins for the East Leisure Centre expected to be operational in 2029.

Once operational, these programs and facilities are subsidized by the City's operating budget and associated property tax revenue. Phase-ins are a useful financial strategy to help smooth the fiscal impacts of new or expanded programs, service or facilities over multiple years while also providing effective interim funding for capital expenditures to lower the City's borrowing and interest costs.

An overview of the phase-ins required for these facilities and programs, as well as the phase-ins previously directed by City Council as outlined in the background section of this report can be found below in Table 2.

Table 2 – Phase-ins and Previous Direction from City Council

Description	2026	2027
Link Operating Phase-In	\$3,500,000	\$3,500,000
East Leisure Centre Phase-In	\$ 400,000	\$ 400,000
Fire Station No. 10 and 11 Phase-In	\$ 399,200	\$2,459,600
<a href="#">July 25, 2023 Direction</a> - Fire Apparatus Reserve Phase-in	\$ 115,500	\$ 115,500
<a href="#">July 25, 2023 Direction</a> - Civic Buildings Comprehensive Maintenance Reserve Phase-in	\$ 402,900	\$ 402,900
<a href="#">July 25, 2023 Direction</a> - Paved Roadways Infrastructure Reserve Phase-in	\$1,530,000	\$1,530,000
<a href="#">July 25, 2023 Direction</a> - Snow and Ice Management Contingency Reserve Phase-in	\$ 322,000	\$ 322,000
<a href="#">July 25, 2023, Direction</a> - Saskatoon Light & Power (SL&P) Return on Investment Phase Out *	\$ 495,000	\$ 495,000
<a href="#">Aug 16, 2023 Direction</a> - Major Capital Project Prioritization Funding Plan Contribution	\$ 350,000	\$ 330,000
<b>TOTAL PHASE-INS AND PREVIOUS DIRECTION</b>	<b>\$7,514,600</b>	<b>\$9,555,000</b>

\* Although this is a revenue reduction it has been included within all other Phase-ins and previous direction and is included within appendix 2.

Overall, these phase-ins and previous direction from City Council require approximately \$7.5 million and \$9.6 million in 2026 and 2027 respectively.

#### Civic Operating Expenditures to Maintain Existing Service Levels

Additional key drivers of the City's operating expenditures are inflation and growth. Inflation in this context can be defined as a change in relative prices for the City's operating expenditure basket, such as materials, labour and contractor costs. Growth reflects the change in quantities of the services the City provides, such as, additional kilometers of roadway, more hectares of park space being added to the city, or new neighbourhood expansion requiring transit services.

For inflation, the City is forecasting expenditure increases of 2.79% (+\$14.2 million) in 2026 and 2.96% (+\$15.9 million) in 2027. Some of the largest inflationary driven expenditures are due to increases in construction and contractor costs, collective bargaining agreements and technology licenses.

The City forecasts growth-related expenditures to increase by 1.62% (+\$8.2 million) in 2026 and 0.92% (+\$4.9 million) in 2027. For reference the City's population has grown 4% to 5% annually over the past two years, highlighting that the expenditure increases due to growth are well below the population increase. Some of the largest growth-related expenditures are due to:

- \$4.0 million to maintain a growing road network;
- \$2.6 million for Snow & Ice to continue to build funding for a 6<sup>th</sup> snow event and reserve contributions for major event responses; and
- \$3.2 million for Information Technology resources to support growing needs in Cyber Security, GIS and operational requirements.

While inflation and growth continue to put pressure on the City's annual budget, the City makes efforts every year to stretch tax dollars further through efficiencies and cost avoidances. Through efficiencies and cost saving measures, the City has saved tens of millions of dollars over the past decade and approximately \$5.4 million in 2024 alone as outlined in the City's annual report on [Service, Savings and Sustainability](#). However, these savings are not enough to fully offset rising costs. Without further investment to provide for the inflationary and growth impacts on essential civic services such as road maintenance, snow clearing, fire services, parks maintenance and transit; a declining level of service could be expected.

In addition, the Administration recognizes residents are concerned about affordability and year over year increases to the City budget. However, the reality is that previous budgets have not provided for the full inflationary and growth needs of the City. Despite this, the City has maintained strong service levels. These efforts as well as the City's declining spending per capita (adjusted for inflation) are further detailed in the expenditure and revenue trends section of Appendix 1 and 2 and have been highlighted in various reports to City Council, most notably:

- A report from the November 28, 2023 City Council Budget Deliberation meeting [Comparing the Growth in Federal, Provincial and Municipal Operating Budget Expenditures 2017 – 2023](#), showed that while City spending is going up each year, it's still 9.7% below the inflation and growth rates. In contrast, Provincial and Federal spending were 1.5% and 35% above their experienced inflation and growth rates; and
- A report from the independent office of the City Auditor to the January 15, 2025 Standing Policy Committee on Finance, [Financial Review Audit](#), which highlighted that operating expenses per capita have declined by 7% from 2019 to 2023 when adjusted for inflation.

These reports emphasize how Administration and City Council are committed to transparency and responsible financial planning to provide the infrastructure and delivery of essential civic services needed in a rapidly growing city.

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### Revenue Estimates

Excluding property tax revenue changes from the rate-setting process, the Administration is forecasting operating revenue increases of approximately \$10.7 million (+3.49%) in 2026 and \$12.8 million (+4.07%) in 2027. The revenue estimates exclude the SL&P Return on Investment Phase-Out as in Table 1. While substantive, these increases continue to be below the rate of inflation, growth and the associated expenditure impacts facing the City. This reflects a longer-term fiscal challenge with the City's limited and lagging non-tax revenues. Details on the revenue projections are explained in Appendix 1.

### Civic Budget Overall Summary

Overall, the City is forecasting civic expenditure increases of 5.89% (+ \$29.9 million) in 2026 and 5.66% (+\$30.4 million) in 2027 to maintain existing service levels and address the required phase-ins and previous direction of City Council. These are offset by the noted revenue increases of \$10.7 million in 2026 and \$12.8 million in 2027.

### Saskatoon Police Service Budget Estimates

In addition to the Civic Budget operating requirements, the Saskatoon Police Service is estimating a budget increase of 10.42% (\$13.5 million) in 2026 and a 6.41% increase (\$9.2 million) in 2027 as detailed in Appendix 3.

The forecasts provided by the Saskatoon Police Service would also need to be funded via the property tax.

### Forecasted Property Tax Implications

While the Administration is confident the figures in this report, including the property tax impact, will not be what is approved at November's budget deliberations, this fully transparent early forecast is a critical starting point to understand the financial requirements facing the City as we head into 2026 and 2027.

For informational purposes, these forecasts would increase the property tax of a median assessed property valued at \$397,000 by \$22.14 per month in 2026 and \$18.04 per month in 2027. A further breakdown of the property tax requirement can be found in Tables 3 and 4 below:

Table 3 – Estimated 2026 Property Tax for Median Assessed Household (\$397,000)

<b>Item</b>	<b>Property Tax % Increase</b>	<b>Property Tax Monthly \$ Increase</b>
Phase-ins	2.27%	\$5.07
Civic Budget	3.54%	\$7.92
Police Budget	4.09%	\$9.15
<b>Total</b>	<b>9.90%</b>	<b>\$22.14</b>

Table 4 – Estimated 2027 Property Tax for Median Assessed Household (\$397,000)

Item	Property Tax % Increase	Property Tax Monthly \$ Increase
Phase-ins	2.61%	\$6.41
Civic Budget	2.21%	\$5.44
Police Budget	2.52%	\$6.19
<b>Total</b>	<b>7.34%</b>	<b>\$18.04</b>

The Administration intends to continue to refine these forecasts and bring forward a budget, at the November 25, 2025, Budget Deliberation meeting, with a minimum one percentage point reduction to the property taxes from Civic Operations.

The one percentage reduction will likely come largely from adjustments to the phase-ins as shown in Table 1 as well as increased budgetary risk in some areas but overall have minimal impact on service levels in 2026 and 2027 over 2025. The implications of these adjustments will be outlined in future reporting. For reference, for every 1 percentage point change in the property tax rate increase a combination of expenditure reductions and non-tax revenue increases totaling \$3.31 million will need to be found for 2026 or \$3.66 in 2027.

In addition to the future proposed budget headed to the November 25, 2025 Budget Deliberations meeting, Administration will present a report for City Council's consideration that will detail two scenarios with a goal to further lower property tax:

**Scenario 1 – A Further 1 Percentage Point Additional Reduction to the Forecasted Property Tax**

This scenario would include changes required to achieve a further 1 percentage point reduction to the forecasted property tax from the civic budget, for a total of 2 percentage point reduction compared with the property tax increase outlined above. In general, this scenario would require:

- Larger adjustments to the proposed phase-ins; and
- Reductions to growth and inflationary increases and/or adjustments to existing programs and service levels.

Reductions to the growth and inflation allocations will increase the risk of a service level not being able to be achieved or maintained due to budgets not keeping pace with increasing costs.

Administration will also explore adjustments to existing programs and service levels that would be required to achieve Scenario 1.

**Scenario 2 – A Further 2 Percentage Point Additional Reduction to the Potential Property Tax**

This scenario would include changes that would be required to achieve a further 2 percentage point reduction to the forecasted property tax from the civic budget, for a total of 3 percentage point property tax reduction from today's report. This scenario would include:

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- Larger reductions and adjustments than Scenario 1: and
- Additional adjustments to service levels or programs to achieve the additional reduction.

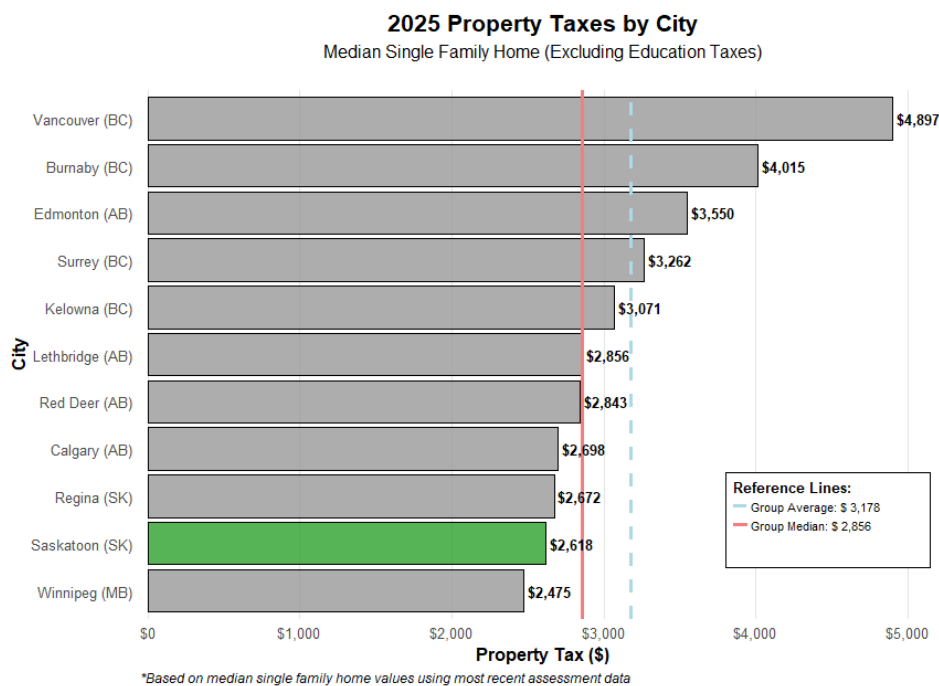
### Saskatoon Police Service Scenarios

It is important to note that the Civic Operating budget currently makes up 5.81% of the property tax increase in 2026 and 4.82% property tax increase in 2027, with Saskatoon Police Service being 4.09% and 2.52% property tax increase respectively.

The development of scenarios by the Administration would be on the civic operating budget only. To receive additional information or scenarios from the Saskatoon Police Service, City Council would have to request this through the Board of Police Commissioners via a motion arising from this report.

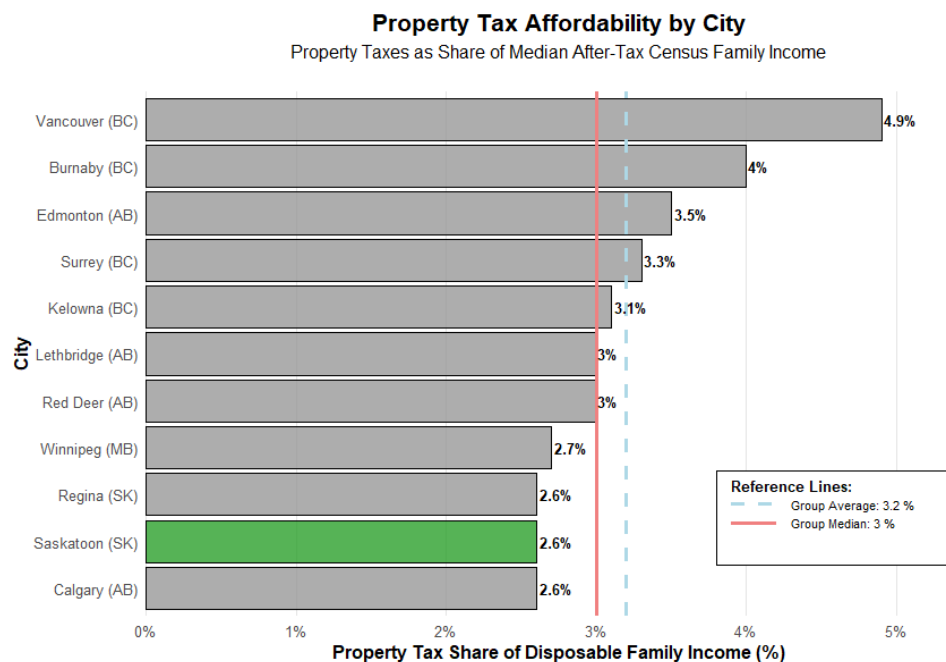
### Comparisons to Other Jurisdictions

Despite the larger than normal financial requirements of the City's budget in recent years, the City of Saskatoon continues to have one of the lowest property tax burdens in western Canada as highlighted below:



Utilizing this data and layering it on top of the median household income in each city, the data outlines that Saskatoon has one of the more affordable property tax burdens in western Canada utilizing about 2.6% of median household income whereas the group median is approximately 3%.

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### Policy and Process

Although Council Policy C03-036 requires City Council to approve an indicative property tax rate, Committee has historically — and understandably — chosen a lower rate than what Administration recommends in this report. As a result, Administration is recommending an exception to the policy for this year. Instead of setting a tax target now, this report would present the forecasted financial pressures for 2026/2027 as information only, allowing Administration to continue refining the estimates. Administration will review the policy requirements after the 2026/2027 Budget process and propose any necessary updates.

It is important to note that significant work and refinement has already been undertaken by Administration to arrive at the preliminary forecast figures presented in this report. Administration is confident that a further 1 percentage point reduction in the property tax can likely be found and recommended as part of the 2026/2027 Budget Deliberations, largely through adjustments to the Phase-ins and Previous Direction from City Council category.

City Council will have the ability to further adjust the property tax through a detailed review as part of its 2026/2027 Budget deliberations scheduled to begin on November 25, 2025.

### COMMUNICATION ACTIVITIES

To support the release of the Preliminary 2026 and 2027 Financial Forecast a Communication Plan has been developed which includes:

- A presentation to media;



- A public news release;
- An *At a Glance* info sheet on the Preliminary 2026/2026 Financial Forecast;
- An informative video and posts on the City's social media channels;
- Appearances on various radio and news outlets; and
- Information on the City's website **saskatoon.ca/budget**.

These efforts are part of our commitment to transparency and keeping residents, businesses and community partners informed with accurate information about the City's financial needs and the budget process through the rest of 2025.

### NEXT STEPS

If the recommendations are approved as presented, the Administration will prepare the 2026/2027 budget document for City Council's November 25, 2025, Budget Deliberation meeting with a targeted 1 percentage point property tax reduction included.

In addition to the budget document, further reporting will be provided at budget deliberations which outlines potential scenarios to achieve further 1 percentage point and 2 percentage point property tax reductions.

At its August 2025 meeting, the Administration will update the Committee on City Council's strategic priorities and present options for additional resources. These options could either accelerate progress on those priorities or adjust service levels. The Administration will also report on unfunded capital projects that could be supported through the Reserve for Capital Expenditures. City Council can then prioritize these options, with the finalized prioritization list to be included at the November 25, 2025, Budget Deliberation meeting

### APPENDICES

1. 2026 and 2027 Revenue Projections
2. 2026 and 2027 Expenditure Projections
3. 2026 and 2027 Saskatoon Police Service Projections
4. Link Operating Phase-In

### REPORT APPROVAL

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