

Asset Management Investment Funding Options

ISSUE

The Governance and Priorities Committee of City Council has received the Consolidated State of the Infrastructure Report that outlines a funding gap of \$306.6 million over the next five years to ensure the City of Saskatoon's (City) infrastructure is properly maintained in line with best practices. This report outlines options for addressing the asset gap that City Council could consider at the Multi-year Business Plan and Budget meeting (Budget meeting).

BACKGROUND

In 2020, City Council adopted the *Corporate Asset Management Policy (C07-031)*, which requires that asset management be aligned with the City's Vision, Mission and Values; and to deliver services at approved service levels, transparent decision-making, reduce life-cycle costs, and link infrastructure investment decisions to service outcomes. The Consolidated State of the Infrastructure report shows the overall state of the Corporate Asset Management Program and the overall state of the City's infrastructure.

Several business lines have presented individual State of Reports to City Council's Standing Policy Committees that outline in more detail the state of the assets that those departments and business lines are stewards of. These include:

- [Potable Water, Wastewater, and Storm Water Utilities](#)
- [Roadways and sidewalks](#)
- [Bridges](#)
- [Parks, Open Spaces and Green Network](#)
- [Saskatoon Light and Power](#)
- [Transit](#)
- [Fleet Services](#)
- [Facilities](#)

CURRENT STATUS

Most infrastructure service lines are reporting an asset funding gap; however, some service lines are fully funded. The Water and Wastewater utilities have the ability to establish the appropriate utility rate to ensure the infrastructure needs are fully met. In addition, they have been able to eliminate their asset gap through the implementation of several strategic initiatives to ensure their infrastructure needs are fully met, which included:

- Long-term capital development planning (30+ year planning);
- Implementation of Asset Management and Reliability Centered Maintenance Principles;
- Optimization of Operations; and
- Targeted investments that reduce the cost-of-service delivery.

It is important to note that asset management or infrastructure gaps are common challenges amongst municipalities throughout North America. While the City's approach to dedicated reserves and funding, transparent discussions and establishment of service levels have assisted in progressing the maturity of our programs, there is more work to be done to ensure Saskatoon's infrastructure is maintained in good condition for decades to come.

DISCUSSION/ANALYSIS

The City's new approach to asset management relies on a combination of defining service levels and increasing funding; however, similar to the water and wastewater utilities, it also requires the following strategic initiatives be undertaken in each asset area:

- Development of long-term capital plans: These plans help to further define the required investment. If service areas have been conservative in developing capital estimates, these plans can help to reduce the gap.
- Develop asset replacement plans: Replacement plans are intended to identify which assets need to be replaced. As service areas conduct studies on asset condition and likelihood of failure and enacted more advanced maintenance strategies, the total cost of the replacement plan can be reduced, which can help reduce the gap.
- Advanced maintenance strategies: Implementing tools like Condition Based Maintenance and Reliability Centered Maintenance can help to reduce the life-cycle costs of assets and extend their useful life, reducing both operating and replacement costs.
- Data Driven Asset Management: As noted in the State of Reports, confidence in the accuracy of asset conditions could be higher. Higher confidence in asset condition will help to ensure that estimates related to asset life and probability of failure are more accurate and will help to refine the gap.
- Targeted one-time investments into assets that reduce the life-cycle cost-of-service delivery.

Each of the strategic initiatives noted above require investment in funding and staff time. Once complete, further increases in infrastructure funding or adjustments in service levels may still be required; however, the confidence in the funding gap will be higher.

FINANCIAL IMPLICATIONS

City Council has taken steps to address the funding gap, including increased investments in 2025 (above and beyond annual inflation and growth) of:

- \$152,900 towards the Civic Buildings Comprehensive Maintenance Reserve for facility maintenance;
- \$245,000 in additional funding for Saskatoon Light & Power Asset Management program;
- \$115,500 to replace fire apparatus; and
- \$1,530,000 toward the roadway preservation program.

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It is important to note there are also phase-ins included in the [2026 and 2027 Financial Forecast](#) as presented to the Governance and Priorities Committee on June 11, 2025, for Facilities Maintenance (\$402,900), Fire Apparatus (\$115,500), Saskatoon Light & Power Asset Management (\$495,000) and Roadway Preservation (\$1,530,000). These phase-ins are in addition to annual inflationary and growth requirements.

In addition to addressing the pressures for growth and inflation, the Administration has identified two options to increase the level of investment in asset management to close the funding gap.

Dedicated Property Tax Contribution

At the August 13, 2025, Governance and Priorities Committee meeting, the Administration presented the [2026/2027 Business Plan and Budget Options](#). One of the operating options presented was a 1% dedicated property tax increase in 2026, and an additional 1% property tax increase in 2027, to increase the level of investment in asset management. While the Administration is proposing a 1% increase each year, City Council could choose any amount to start phasing in an increased investment in asset management. This option will be presented as part of the 2026/27 Business Plan and Budget deliberations in November 2025. A 1% property tax contribution in 2026 and 2027 would result in an estimated budget increase of \$3.31 million and \$3.60 million, respectively. It should be noted that the 2027-dollar value will fluctuate based on decisions made during budget deliberations.

If City Council chooses to fund this option, the funding would be directed to a capital project managed by the Corporate Asset Management (CAM) group. A future report would be presented to City Council in early 2026 to approve the allocation of funds between the various assets, including a number of strategic initiatives to enhance the maturity of the City's asset management program.

Water and Wastewater Utilities ROI Contribution

The Water and Wastewater Utilities is currently estimated to provide approximately \$22.2 million in Return on Investment (ROI) to the City in 2026 (10% of volumetric water and wastewater revenues). Of this amount, \$16.2 million is allocated towards general revenue and supporting all civic services; while \$6.0 million is a dedicated contribution to the road network for asset preservation. This dedicated ROI was established during the Building Better Roads program, based on the connection between underground utility work and the associated impact it has on the road surface. This \$6.0 million dedicated allocation was used to support the increase in service levels to the road network.

While the strong connection between underground utility work and the impact it has on road surfaces may not exist for all service lines, a similar approach for increasing investment in other asset areas could be undertaken to alleviate pressures on the property tax. During the upcoming Business Plan and Budget deliberations, City Council could direct the Administration to provide a dedicated ROI to corporate asset management initiatives.

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It is important to note, that reallocating the existing ROI is challenging as any reallocation of funds that is currently directed to the City's general revenues would require a corresponding property tax increase or offsetting reduction in service levels. This would be identical to simply providing a dedicated property tax contribution to the Asset Management program. To address this issue, City Council could direct that dedicated funding to reduce the asset funding gap would be in addition to the existing 10% ROI from the water and wastewater utilities. The long-term forecast for water rates provided in Appendix 3 of the [Detailed Funding Plan for Water Treatment Long Term Capital Strategy](#) report, which was approved by City Council at its meeting on May 21, 2025, did not consider this increase to ROI. The current 2026 and 2027 forecasted budget also does not consider this increased ROI. Therefore, funding corporate asset management initiatives while maintaining the current budget and forecast for utility rates would introduce more risk into the Water and Wastewater Utility budgets and may require the utilities to temporarily rely on the stabilization reserve.

To clarify, the temporary Water and Wastewater Utilities ROI contribution could work as follows:

- The 2026, the ROI would be temporarily increased to 10.73% while rates would be consistent with projections. This would result in \$1.62 million (i.e. 1% of the 2026 budgeted operating contribution) in additional funding for the corporate asset management initiatives in 2026.
- In 2027, the ROI would be temporarily increased to 10.70% to allow \$1.62 million in dedicated funding for reducing the asset gap while supporting the same general revenue and roadways funding from the utilities.

The stabilization reserve for the Water and Wastewater Utilities is currently at its cap. In addition, 2025 had a dry spring resulting in a projected Water Utility surplus for 2026 and as such, it is anticipated that the Stabilization Reserve will continue to be at its cap at the beginning of 2026. The Stabilization Reserve is currently estimated to be \$10.3 million at the end of 2025.

While this increased ROI approach would provide temporary funding to invest in corporate asset management, there are several implications City Council should be aware of, including:

- This approach could result in a reduction of the Stabilization Reserve by \$3.24 million to \$7.06 million or lower, if a negative variance in 2026 or 2027 is experienced due to low water demand;
- These ROI increases are intended to be a temporary measure for two years due to the healthy position of the Stabilization Reserve; and
- These ROI increases may require the Water and Wastewater Utility to take on more debt than anticipated in the future to deliver capital projects. Currently any surpluses above the utilities' stabilization reserve cap are directed to the utility capital reserves. Without this funding, the capital reserves will have less funds available for projects such as the Water Treatment Plant expansion.

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A temporary increase to ROI while maintaining fixed utility rate projections allows for the Water and Wastewater Stabilization Reserve to support asset management initiatives across the corporation. 2025 is projected to be a surplus year for the utility due to dry spring conditions and the stabilization reserve is currently at its cap which means this approach is low risk in the short term.

A long-term solution to increase investment in asset management will be developed for City Council's consideration in advance of the Business Plan and Budget deliberations for 2028 and 2029.

Similar to the Dedicated Property Tax Contribution option, if City Council chooses to increase the ROI, the funding would be directed to a capital project managed by the Corporate Asset Management (CAM) group. A future report would be presented to City Council in early 2026 to approve the allocation of funds between the various assets, including a number of strategic initiatives to enhance the maturity of the City's asset management program.

OTHER IMPLICATIONS

There are no other implications directly resulting from this information report.

NEXT STEPS

Unless directed otherwise, the Administration will include this report in the Business Plan and Budget deliberations package. City Council will have an opportunity at that time to direct any or none of the options provided.

The Administration will update the State of the Infrastructure reports for the 2028/2029 Business Plan and Budget deliberations and continue to develop longer term funding strategies for asset management for City Council's consideration.

Report Approval

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