

## Priority Based Budgeting Criteria

### ISSUE

The Administration continues to work on development of a Priority Based Budgeting tool for use as part of the 2027 budget process. This report provides an update on the progress to date and seeks approval for the criteria on how the City of Saskatoon's (City) programs will be prioritized and evaluated.

### RECOMMENDATION

That the Priority Based Budgeting criteria outlined in Appendix 1 and Appendix 2 be approved in principle.

### BACKGROUND

At the January 15, 2025 Standing Policy Committee on Finance, the [Financial Review report](#) from the City Auditors office was considered by the Committee. One of the recommendations from the Financial Review is that the City should consider the implementation of a Priority Based Budgeting approach to complement the annual budget process. As part of the Administrative Response, Administration committed to reporting back on Priority Based Budgeting, how it works and the possibility of including it in the City's process.

On May 13, 2025; the Administration presented a report entitled "[Priority Based Budgeting Follow Up](#)" to the Governance and Priorities Committee. This report provided details surrounding how the City could implement a Priority Based Budgeting tool, its benefits and challenges. As part of this meeting, Committee resolved, in part:

"Approve option 3, implementation of a priority based budgeting tool for the 2027 budget cycle"

### DISCUSSION/ANALYSIS

Following the completion of the 2026/2027 budget deliberations, the Administration has been progressing through the steps required to develop a priority-based budgeting tool. As further detailed in the Priority Based Budgeting Follow Up from the May 13, 2025 Governance and Priorities Committee, these steps included:

- Step 1 – Identifying Program Inventory.
- Step 2 – Costing of Programs.
- Step 3 – Identifying Priorities.
- Step 4 – Scoring Programs; and
- Step 5 – Taking Action

Throughout February and March, 2026, Finance will lead over 30 collaboration sessions with internal stakeholders to work through steps 1 and 2 of the process. These internal

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stakeholder meetings focused on breaking down existing service line reporting into program level detail to form the foundation of the City's priority-based budgeting tool.

The next step of the priority-based budgeting process is to develop criteria on which programs will be scored against. Priority- Based Budgeting criteria selection is the process of defining the factors used to evaluate and rank programs, services, or activities relative to one another. Typical criteria may include alignment to strategic outcomes, community or customer impact, statutory or regulatory necessity and service demand. Together, these criteria form the basis for objectively assessing the relative importance of each program or service.

There is no single, universally agreed-upon set of criteria. Every individual has their own views on what criteria are most important, reflecting the subjective nature of the process. As a result, the criteria proposed in this report were developed through a structured analytical process to make those value choices as transparent and consistently applied as possible. City Council is invited to evaluate and adjust the criteria.

Appendix 1 and 2 provide an overview of the criteria the Administration is recommending. The Appendices also describe why the criteria is being recommended and how each will be scored. These criteria were developed largely through review of priority-based budgeting guidance documents from the Government Finance Officers Association, review of other municipalities who have completed this process (most notably Edmonton) and incorporating core economic principles to provide a more complete perspective on the potential allocation of budgetary resources. A summary of the criteria further explained and proposed in Appendix 1 and 2 is shown in Table 1:

Table 1 – Proposed Criteria Summary

	<b>Criterion</b>	<b>Index Weight</b>
1	Legally Mandated	10
2	Strategic and Organizational Alignment	30
3	Public Value and Community Need	20
4	Community Impact and Equity	20
5	Risk and Asset Protection	20
6	Marginal Impact and Scalability	Information only

These proposed priority-based budgeting criteria are intended to ensure City resources are directed to programs that most strongly advance strategic priorities and organizational performance while meeting community needs and obligations. The criteria framework is informed by core economic principles, applied pragmatically to develop meaningful criteria. The core questions it asks of each program are: Does this service address a genuine community need that the market cannot adequately meet? Does it generate larger benefits proportionate to its cost? And does it advance the City's stated strategic and organizational direction?

Criterion #6 within Table 1, is not weighted but will be used to provide additional information to City Council on how some programs may be adjusted to provide marginal benefit or cost should the program be expanded or reduced.

The weightings proposed to the five scored criteria produce a specific set of value judgments about how the City balances strategic direction, community welfare, equity, risk and fiscal decision-making. These judgments are necessary, recognizing the inherent trade-offs that exist in government budgeting. The weight distribution proposed in Table 1 is intended to provide a balanced approach for a property tax funded budget ensuring transparency and appropriate trade-offs within the proposed framework.

The framework also distinguishes between community-facing programs and important internal-facing (support) programs. Community-facing programs generate value by delivering outputs to residents, businesses or the environment as supported in the criteria described in Appendix 1. Support programs, by contrast, generate value indirectly by enabling those direct programs to operate effectively, legally and sustainably. This distinction does not imply lower importance; it reflects a different production function. Scoring support programs on community-facing criteria without recognizing this distinction produces systematically misleading results. To reflect this distinction, Administration is proposing a modified set of criteria for programs determined to be Support programs, as described in Appendix 2.

The criteria are recommended to be approved in principle to allow for some flexibility in the approach as Administration goes through the evaluation process for the first time. More specifically, as the process advances, there may be a need to refine the wording of certain criteria or adjust elements of the scoring system to improve clarity and usability for users. These adjustments are not intended to change outcomes, but rather to ensure that the tool remains easy to understand, consistently applied and accurately reflects the intent of the evaluation. Updating language or scoring approaches as we learn more helps maintain a tool that supports fair, transparent and effective decision-making. Should any adjustments be required, they would be made transparently and reported back as part of the priority-based budgeting process to City Council.

### **NEXT STEPS**

If approved, Administration will proceed with scoring all programs against the criteria. Results of this scoring will be presented prior to 2027 budget deliberations to provide additional context and options for City Council to make decisions on allocating fiscal resources under this new framework.

### **APPENDICES**

1. Proposed Priority Based Budgeting Criteria – External Facing Programs
2. Proposed Priority Based Budgeting Criteria – Internal Facing Programs

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### REPORT APPROVAL

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