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July 18, 2023

Saskatoon City Council
222 3rd Ave North
Saskatoon, SK S7K 0J5

2023 Budget Shortfall – Option

Dear Mayor Clark and Councillors,

Thank you for leading efforts to address the City's significant budget shortfall and initiating a new approach to developing the City's 2024-2025 Business Plan and Budget. Wisely, you have given Administration and community stakeholders enough runway to discuss the challenges at hand, explore options, and propose solutions.

Concurrent with Special Budget Meetings of Council, we have solicited member feedback and discussed options – one of which is outlined below.

Challenging Climate

Like many of our businesses, the City of Saskatoon is facing inflationary pressures and wrestling with higher costs for materials, supplies, fuel and labour. And, like those businesses, the City will need to make hard choices to offset those costs and reduce spending on initiatives and hires.

Scaling back plans, reducing staffing levels, innovating to deliver with less – these are the difficult steps business owners have taken to adjust to the economic climate. They expect no less from their municipal leaders.

As early as June 2020, leading economists were warning against the fiscal challenges cities are now facing – including post-pandemic inflation – forecasting that municipal shortfalls would be in the billions of dollars and that cities would need to do their part by finding workable cost reductions. (RBC, June 9, 2020)

For their part, businesses are doubling their efforts to manage shrinking margins and rising costs without passing the problem onto their clients and customers. While they are optimistic about the future, they do not have the capacity to absorb an excessive property tax increase at this time. A significant rate increase would hit small and medium size businesses hardest and undermine the safety, vibrancy and quality of life they contribute to our Riversdale, Sutherland, Broadway, Mayfair and Downtown districts.

7% Global Spending Cut

As a starting point for Council's line-by-line budget review, the Chamber is recommending a 7 per cent cost reduction across all departments and city-funded agencies to avoid excessive and punitive property tax increases through 2024-2025.

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A mandated cost-cutting initiative across all Civic Service Expenditures would deliver over $45M in savings as a starting point for Council's deliberations, giving Council the opportunity to discuss further reductions and adjustments and make trade-offs between priorities. Council could increase cuts in some areas to reduce cuts in others, like front-line services or investments in community safety. Importantly, it would ensure that decisions made through the budget process deliver the outcome we need: a fair and competitive tax rate that closes the gap and keeps our city growing.

Constraint Breeds Creativity

A clear and manageable target for cost reductions, mandated by Council, will give city administrators the direction they need to adjust staffing levels, find savings, and propose different ways of delivering programs and services.

In some cases, hitting this target might involve reductions in staffing. In others, it might involve renegotiating the terms of contracts, identifying different suppliers, deferring new capital and equipment purchases, or eliminating professional development and travel expenses.

Those closest to departmental and program budgets are best positioned to make these choices. For anyone else – including Council and outside stakeholders – it's like trying to hit a bullseye from 30,000 feet. Senior managers and their teams are closest to the board. Set the target and challenge them to hit it.

Close the Gap, Keep Us Growing

If there is a sense that the current budget process will not deliver a satisfactory outcome, we urge you to consider the option outlined above. A fair and balanced approach to cost reduction is one way to close the City's budget gap without undermining our capacity to grow our economy, expand our tax base and attract new residents and businesses.

Thank you for your leadership at this important time.

Sincerely,

Jason Aebig, CEO
Greater Saskatoon Chamber of Commerce