

BUDGET AT A GLANCE

November 12, 2020

Edmonton

Debt at the City

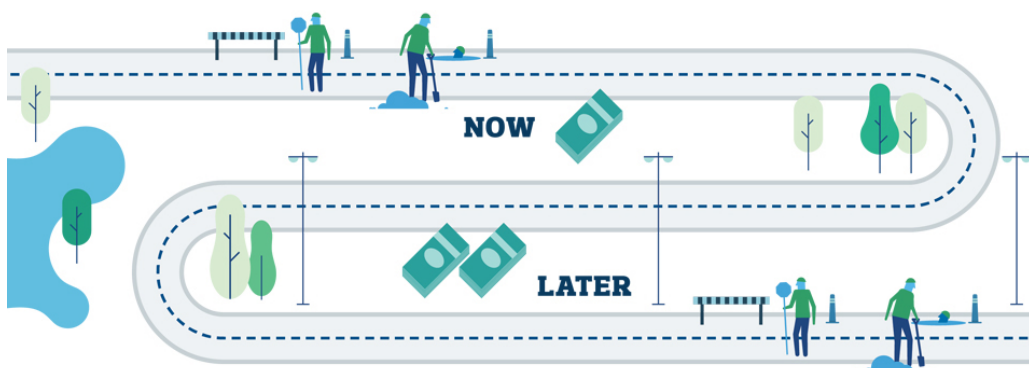
Debt can make sense, even in tough times.

The City of Edmonton uses debt only for capital projects, such as building roads, facilities and other infrastructure, or doing major renewal when needed. The City of Edmonton does not use debt for day to day work.

The City uses some of the money it collects from taxes, revenue or investments to help pay for capital projects. This is called "Pay As You Go" (PAYG) and it helps reduce the amount of debt needed.

However, if we saved up tax dollars for decades before starting project work, we would be taxing many Edmontonians who would never get to use the facility, road or LRT they paid for. Making sure those who pay will also benefit is called "generational equity." Debt allows us to build now and spread the cost out more fairly, to all users.

Debt Can Save Dollars



At times, federal and provincial governments offer grants that let the City build needed infrastructure without paying the entire cost. Some projects are only affordable with this kind of support. Using debt to start the project and bring in the external funding is a responsible choice.

As well, the City can lock interest rates in for up to 35 years. That means the City can take on debt at the current low interest rate, while paying for labour and materials at today's costs instead of tomorrow's. That can save tax dollars over time.

What's next for budget planning?

The Supplemental Operating and Capital Budget Adjustments will be presented to Council next week. Council will ask questions of Administration, then study the proposals in detail before beginning debate in December.