BUDGET AT A GLANCE

December 12, 2019
Issue #8

Edmonton

Budget Deliberations Day Two/How the City Uses Debt

What was discussed at Council?

City Council completed Day Two of budget deliberations on December 12, 2019. Most of the discussion was around Operating Budget adjustments and Councillors explored potential service changes to 311, the effect of fare changes on transit ridership and revenues, the status of next year's municipal census and other services.

Council began debate on motions on the floor, and voted to defer construction of the Lewis Farms Recreation Centre. Many Councillors believe that the facility is greatly needed, and share a desire to move forward on it as soon as possible. Council discussed their shared perspective that it is prudent to defer some capital projects in this economic climate, but that we continue to stay the course with our capital plan,deferring certain projects to better budgetary times.

What is Pay As You Go funding? How is that different from debt financing?

"Pay As You Go" funding comes from the City's current revenues. This is money that the City generates through such things as property taxes and investment earnings. If the City were to pay for large scale infrastructure projects with Pay As You Go Funding, the City would first need to accumulate large savings over multiple years which means that the taxpayers paying for those projects may not be the ones that are benefiting from them.

Why is Council considering using debt? Is this a good idea?

The City only uses debt on infrastructure, and not on operations. Most City of Edmonton capital budgets include some debt. Using debt enables key infrastructure projects to proceed without accumulating large savings first. Used in this way, debt acts as a cost smoothing mechanism across time, and improves generational equity for large capital assets that are enjoyed by multiple generations of Edmontonians.

Debt also enables the City to maximize funding from federal and provincial governments when matching City funding is required for certain projects. If the City did not have adequate savings at the time of grant eligibility, not using debt could potentially cause the City forego large sums of infrastructure grant dollars.

Unlike a homeowner, when the City uses debt, it locks into low interest rates for the entire duration of the loan, meaning that even if interest rates fluctuate, the City's debt payments stay stable for the duration of the entire loan.

What's happening next?

Council's budget deliberations are scheduled to continue to December 13.

Questions? **YEGcitybudget.ca**