



Budget Engagement 2027-2030

Edmonton

How construction projects affect taxes

The capital budget (for infrastructure, including construction projects and equipment) is separate from the operating budget (for services), but they are connected. Capital projects affect the tax-supported operating budget mostly through debt repayment, as well as the costs to operate and maintain capital projects once they're complete and put into service.

Why the City uses debt

The City only uses debt to help pay for some of its capital projects. In Alberta, cities can't use debt to help pay for operating costs.

Building and maintaining the City's infrastructure is expensive, costing billions of dollars. If the City were to fund these projects without using debt, we would need to save up tax dollars for decades, which means Edmontonians who pay for the facility, road or LRT would not get to use it. Debt spreads the cost out more fairly, to all users over the life of that infrastructure.

As well, the City gets lower interest rates that it can lock in for up to 35 years. This means that even if interest rates fluctuate, the City's debt payments stay stable for the entire loan. This can save tax dollars over time.

Cancelling construction projects to reduce taxes

Some capital projects have big price tags, so it can seem like an easy savings to cancel a large project and use that money to fund services or reduce taxes.

There are several reasons why moving money from the capital budget to reduce taxes is not a best practice. This includes:

- **This is a temporary fix to an ongoing need.** One of the key principles of good budgeting is to use ongoing revenues to fund ongoing costs, and one-time revenues to fund one-time costs. Construction projects are a one-time cost, whereas services are ongoing costs.
- **Cancelling or delaying capital projects can create a backlog.** Edmonton is growing rapidly. The needs would remain and would likely cost more to deal with in the future.



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- **Cancelling work in progress is a net loss.** Many of the projects in the City's capital budget have already begun. This means that contractors have been hired, contracts have been signed and the City is actively planning or building those projects. We would not get our money back if we cancelled these projects and may have added costs to manage the cancellations.
- **Most of the funding in the capital budget can only be used for certain projects.** This includes funding from other orders of government, which is often given to cities for specific types of projects (like public transit) and must be spent within a certain period of time. If the City cancels a project, any funding from other orders of government for that project must be returned.
- **The City pays for many capital projects over time through borrowing.** Debt-funded capital projects like infrastructure rehabilitation, LRT or recreation centres are paid for over a long time (sometimes up to 35 years), so the City is only paying for a fraction of its capital costs in a given year. For example, the \$100 million budget for the Active Transportation Implementation Acceleration project (which includes bike lanes) breaks down to \$3.0 million in debt servicing and \$1.99 million for operating costs in 2026 or 0.1% of the \$3.9 billion annual tax-supported operating budget.