

Financial and Corporate
Services

Edmonton

**CAPITAL INVESTMENT
OUTLOOK
2027 - 2036**

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	3
2. INTRODUCTION	5
2.1 CITY RESPONSIBILITY	5
2.2 CORPORATE STRATEGY	5
3. CAPITAL OUTLOOK CONTEXT	7
3.1 PAST TO PRESENT	7
3.2 ECONOMIC OUTLOOK	8
3.3 EMERGING ISSUES AND RISKS	9
4. AVAILABLE CAPITAL FUNDING	12
4.1 CAPITAL FUNDING	12
4.2 GRANT FUNDING	19
4.3 DEBT CAPACITY	23
5. BALANCING RENEWAL AND GROWTH	30
5.1 OVERVIEW	30
5.2 GROWTH AND TRANSFORMATIONAL PROJECTS	32
5.3 THE CITY'S APPROACH TO ASSET MANAGEMENT	35
6. OPTIONS TO CLOSE THE FUNDING GAP & REDISTRIBUTE EXISTING FUNDING	41
6.1 RENEWAL FUNDING GAP	41
6.2 STRATEGIES TO ADDRESS FUNDING GAP	43
6.3 OPTIONS TO REDISTRIBUTE EXISTING RENEWAL FUNDING	46
6.4 COMPLEMENTARY BODIES OF WORK	48
7. BUILDING THE 2027-2036 CAPITAL INVESTMENT OUTLOOK AND 2027-2030 CAPITAL BUDGET	49
7.1 CAPITAL PLANNING PRINCIPLES	49
7.2 PRIORITIZATION	50
7.3 CONSIDERATIONS FOR THE 2027-2030 CAPITAL BUDGET	52
8. NEXT STEPS	53

1. EXECUTIVE SUMMARY

Administration has prepared the 10-year Capital Investment Outlook (CIO) to provide a high-level overview of the key elements that will shape the City's capital program from 2027 to 2036, based on information available in 2025. This includes financial projections for the City's constrained and unconstrained funding and debt room, as well as expected trends in grant funding that the City may be eligible for. Funding is categorized as either unconstrained, which can be used with minimal or no restrictions across a variety of infrastructure needs, or constrained funding, which is dedicated (for various reasons) to specific types of infrastructure.

The CIO supports City Council in making decisions in the short-term by understanding how today's decisions will influence long-term capital requirements and resource allocation, particularly the balance between investing in the renewal of existing assets (replacing and rehabilitating) and delivering new infrastructure. The City maintains a delicate balance of keeping its infrastructure in good repair to support long-term, cost-effective service delivery, while investing in new capital projects to meet the increased service demands of a growing population, guided by Edmontonians' vision for a thriving, safe, affordable and sustainable city.

As Edmonton's population increases, so does the demand for reliable services and the capital investments needed to maintain existing assets to meet those demands. At the same time, decisions about future infrastructure needed to support future growth can create tension between renewal and growth capital funding needs. In recent years, a greater emphasis on new growth over renewal is placing significant pressure on the City's ability to maintain its asset base. There is a large and growing inventory of aging assets, without adequate renewal funding to ensure they remain in suitable shape to achieve their optimal service lifespan.

The City's renewal responsibilities exceed its revenue-raising capacity, resulting in Edmonton's infrastructure renewal gap. This gap is driven by insufficient unconstrained funding from other orders of government, an overemphasis on growth capital across all three orders of government, and ongoing pressure to maintain service levels as the City's population increases. To address this gap, Administration has prioritized renewal over growth in the upcoming 2027-2030 budget cycle, as approved by Council in the June 10, 2025 Financial and Corporate Services report, FCS02696 - Prioritization of Renewal in 2027-2030 Capital Budget. This means focusing on maintaining existing assets before new ones are built, with flexibility where growth projects are required for safety, those mandated by legislation or are high priority, and are eligible for funding by other sources of government.

Prioritizing renewal alone is not enough to close the gap; asset conditions are still expected to deteriorate without further intervention. The CIO discusses three strategies to narrow the renewal gap, including enhancing the previously approved Dedicated Renewal Fund (DRF) levy, reducing overall renewal requirements by divesting of City-owned assets, where appropriate, and strategically using tax-supported debt for renewal projects.

The CIO also discusses the option to temporarily distribute portions of existing Neighbourhood Renewal Program funding to high priority renewal projects. This approach, however, does not reduce the renewal gap, but redistributes existing funding from one group of assets to another.

The City will use debt strategically over the 2027-2036 forecast period. While the City continues to operate within legislated limits, the increased use of debt in recent capital budget cycles has been significant. Continuing at the same pace would significantly encroach on internal tax-supported debt service limits, potentially impacting the City's credit score and ability to respond to emerging issues or fund large renewal projects.

The CIO is a valuable tool for long-term planning, and the first step in developing the proposed 2027-2030 Capital Budget. However, the City's financial and economic realities evolve constantly. Variability should be expected and risks considered when interpreting the numbers for the out-years of the 10-year forecast term.

2. INTRODUCTION

2.1 CITY RESPONSIBILITY

The City is responsible for building and maintaining capital assets and infrastructure to serve the residents and businesses of Edmonton, which Administration approaches with an immediate and long-term view. The ability to construct and properly maintain capital assets is essential for service provision and ensuring Edmonton remains an attractive place to live, and a cost-effective and economically competitive place to do business. Infrastructure is costly to build, buy, renew or replace, and capital funding sources are constrained. As responsible stewards of public funds, the City must achieve maximum value from every dollar spent. Sound management and maintenance of over \$39.8 billion (replacement cost) of capital assets—such as roadways, bridges, buildings, transit facilities including Light Rail Transit, parks, fleet and information technology—is both complex and essential.

The City's infrastructure must be considered in terms of what is needed today, as well as what will be needed in the future. The 10-year CIO provides this longer-term view of the City's capital program, taking into account the following:

- Council's strategic vision and goals, as outlined in The City Plan and ConnectEdmonton,
- The City's growth forecast and other key economic indicators,
- Projects and initiatives that have been committed to beyond 2027,
- Ongoing investment required in existing infrastructure,
- New infrastructure required to support a growing community and business attraction and expansion,
- Projected available capital funding and debt capacity,
- The impacts on the operating budget of capital program decisions, and
- The long-term financial sustainability of the City.

The CIO enables Council to make infrastructure decisions over the next 4-year budget cycle, while understanding how these decisions will affect the City's long-term capital investment requirements. It also assists Council in making strategic decisions on how best to allocate City resources between the replacement and rehabilitation of existing assets and building new infrastructure.

2.2 CORPORATE STRATEGY

The City uses the Strategic Planning Framework to manage overall corporate direction. It is the collection of plans and processes that guide how the City works to demonstrate the corporate promise to enable a better life for all Edmontonians. The City's Strategic Planning Framework is composed of six interconnected plans and processes that direct the growth and evolution of Edmonton: ConnectEdmonton, The City Plan, the Corporate Business Plan, the Budget, Enterprise Performance Management and Enterprise Risk Management. Broadly, the framework answers three main questions: Where are we now? Where are we going? How will we get there?

STRATEGIC PLANNING FRAMEWORK



City Administration puts ConnectEdmonton (direction), and The City Plan (choices) into action each four-year planning and budget cycle through the Corporate Business Plan which integrates the corporation’s work, resource allocation, performance measurement and risk management. The 10-year Operating and Capital Investment Outlooks provide a longer-term financial planning framework that informs the development of the four year Operating and Capital Budgets.



3. CAPITAL OUTLOOK CONTEXT

3.1 PAST TO PRESENT

In the late 1980s and 1990s, Edmonton operated in a constrained fiscal and economic environment due to a recession and reduced or unpredictable funding from higher levels of government. The City's overall capital program was reduced in scope with a focus on maintaining basic services while holding property tax increases low. While the City remained virtually debt-free during this time, low capital investment resulted in the gradual deterioration of infrastructure assets.

Beginning in 2004, the City reintroduced debt financing for major capital projects and took advantage of increased provincial and federal grant funding to significantly expand the capital program. Infrastructure investments included bridge construction, public transit, neighbourhood revitalization, parks, recreation and waste management. Edmonton invested in large, transformational growth projects such as the expansion of the Capital and Valley Line LRT networks, Walterdale bridge, Terwillegar recreation centre and other facilities needed to support a growing population (42 per cent increase between 2000 and 2016).

By 2023, the investment in infrastructure had surpassed \$1.5 billion annually. The accumulation of growth capital assets will benefit Edmontonians for generations to come, but has also meant that the City's capital asset inventory has grown significantly and increased the renewal requirements on those assets. Since the 2023-2026 capital budget cycle, the City's renewal responsibilities have been in excess of its revenue-raising capacity, which has resulted in Edmonton's infrastructure renewal gap. This contributes to the City's overall fiscal gap as outlined in the October 9, 2024 Financial and Corporate Services report, FCS02218 Capital and Operating Funding Shortfall Analysis, Attachment 1: Fiscal Gap - An Assessment of Factors Contributing to the City of Edmonton's Operating and Capital Funding Shortfalls.

With both an aging and growing city, Edmonton faces the challenge of balancing investment choices between infrastructure renewal and growth. As infrastructure ages, maintenance and rehabilitation is required to ensure performance and to meet residents' needs. At the same time, new growth expands the City's asset base, placing additional requirements on the renewal program, which is insufficiently funded in the current 2023-2026 budget cycle, expanding the projected renewal gap in the 2027-2030 cycle.

There are three reasons the City's renewal needs are not being met:

1. **Insufficient unconstrained funding:** While capital transfer funding from other orders of government is high compared to the historical average, the majority of it is project-specific funding for projects such as LRT network expansion. Unconstrained funding, which can be allocated to renewal projects, has seen significant reductions since 2019.
2. **Overemphasis on growth capital:** An overemphasis on growth capital from all three orders of government creates two fiscal problems. First, it diverts funds away from renewal in any given capital cycle. Second, it expands the City's infrastructure inventory as outlined above, which grows future renewal requirements, which are already in a deficit due to overfunding growth.

3. **Pressure to maintain service levels:** As the city's population grows, the City faces pressure to invest in new infrastructure and maintain infrastructure in service past its end of life in order to meet the level of services expected by Edmontonians.

Inadequate levels of capital asset renewal will deteriorate the City's infrastructure condition, and the backlog of renewal and maintenance needs can quickly escalate creating significant future challenges. It is critical to ensure the City's capital renewal needs are being met, and when fiscal constraints exist, renewal should be prioritized over growth.

The City maintains a delicate balance of keeping its infrastructure in good repair to support long-term, cost-effective service delivery, while investing in new capital projects to meet the increased service demands of a growing population. This deliberate, planned investment in infrastructure is rooted in the vision Edmontonians have for their city: a thriving, welcoming, safe, affordable and sustainable community in which people enjoy the freedom to explore, experience, excel and expect the most out of every day.

3.2 ECONOMIC OUTLOOK¹

Robust population growth, driven by high net migration, has kept the Edmonton and census metropolitan area (CMA) economies afloat in recent years. Edmonton population growth accelerated from an annualized rate of 2.1 per cent between 2021 and 2022 to 5.7 per cent between 2023 and 2024, its fastest pace since at least 2002. The impact of population growth was most evident in the housing market, with a surge in new home construction, particularly apartments. It has also driven a significant expansion of the Edmonton CMA's labour force. However, the labour market has struggled to keep pace, with employment growth lagging behind the increase in the labour force. Consequently, the CMA unemployment rate has been on the rise. Looking ahead, the pace of population growth is projected to moderate, averaging 2.2 per cent annually between 2024 and 2026. This anticipated easing of population growth and subsequent slowing of labour force expansion is expected to result in modest improvements for job seekers by the end of 2026.

In 2025, Edmonton's economy was resilient despite economic uncertainty and trade disruptions between Canada and the United States (U.S.). Developments in the Canada-U.S. trade conflict throughout the year may have helped, particularly with significant reductions in the scope of goods affected by U.S. and Canadian tariffs. These developments are expected to improve conditions for economic growth in 2026 and beyond. Over the 10-year horizon of the Operating Investment Outlook (OIO), the pace of growth is expected to remain positive, though more moderate than in prior periods. Edmonton real gross domestic product (GDP) is forecast to average two per cent growth annually. This represents a slight downshift from the projected 2.4 per cent average growth over the 2023-2026 budget cycle, largely from much weaker residential investment.

The CMA labour market is forecast to see moderate growth over the 2027-2036 period. Employment is forecast to increase by an average of 1.5 per cent annually, slightly lagging the labour force expansion, which is expected to average 1.6 per cent per year. This dynamic is anticipated to result in an average unemployment rate of 7.9 per cent by the end of the 10-year forecast. A key factor influencing this outlook is the relatively subdued forecast for

¹ Sources: City of Edmonton Q3 Financial Update and Summer 2025 Outlook, edmonton.ca/business_economy/economic-reports-and-forecasts

inflation-adjusted business investment within the CMA, with declining residential investment and modest annual growth for non-residential investment.

During the 2023-2026 budget cycle, annual average inflation rates gradually decreased as the elevated pressures from the COVID-19 pandemic subsided. Annual consumer inflation averaged 2.8 per cent in both 2023 and 2024, and is anticipated to be at or below 2.0 per cent for the remaining two years. Non-residential construction price inflation is projected to improve, with annual rates over 3.0 per cent in both 2023 and 2024 expected to converge to 2.0 per cent by 2026. This improvement is forecasted to begin in 2025 and continue through 2026. Looking ahead to the 2027-2036 period, the outlook suggests a stable price environment. Inflation is forecasted to average 2.0 per cent annually for consumer goods and services within the Edmonton CMA. For non-residential construction, the forecast is slightly higher, averaging 2.1 per cent annually over the same time horizon.

Table 1: Key Economic Indicators²

Key Indicators	Average Annual % Growth, 2019-2022	Average Annual % Growth Projection, 2023-2026	Average Annual % Growth Forecast, 2027-2036
Real Gross Domestic Product (GDP) ³	0.9	2.4	2.0
Population	1.7	3.7	1.7
CMA Employment	1.0	1.8	1.5
CMA Consumer Inflation	3.0	2.4	2.0
Alberta Non-Residential Construction Inflation	3.8	2.6	2.1

3.3 EMERGING ISSUES AND RISKS

The September 3, 2025 Financial and Corporate Services report, FCS02944 - 2026 Annual Corporate Strategic Risk Profile, identified the infrastructure funding deficit as a structural risk, alongside numerous emerging issues or risks that could have direct impacts on the City's capital program. These include potential capital requirements of regional planning coordination, uncertainty of future capital grant funding, and capital planning in a high price environment with geopolitical trade uncertainty. The City will continue to pay close attention to these issues, with the long-term capital plan continuing to be refined in the coming years.

3.3.1 Capital Requirements of Collaborative Regional Growth

Edmonton is the metropolitan centre and economic anchor of an urban region of approximately 1.6 million people. The City has continuously worked with its regional partners to help the region thrive while addressing the challenges of rapid growth.

In 2017, the Edmonton Metropolitan Region Board (EMRB) was established, and comprised 13 of the largest municipalities, to identify where future growth will occur in the region along with plans for efficient infrastructure to support that growth. The EMRB was dissolved and ended operations on March 31, 2025, after the Government of Alberta repealed the EMRB Regulation on April 1, 2025. This has led to mandatory collaborative approaches, as directed by the *Municipal Government Act*, to deal with regional level growth management and infrastructure coordination in the Edmonton Metropolitan Region (including growth areas, land use, agricultural conservation, and transportation corridors). Edmonton is now required to complete Intermunicipal Development Plans (statutory land use plans) and Intermunicipal

² Sources: Statistics Canada (historical), City of Edmonton, and Stokes Economics, summer 2025 outlook (forecasts).

³ Basic price, chained 2017 dollars.

Collaboration Frameworks (service coordination) with its eight bordering municipalities. Although these new agreements can help address some needs for regional coordination, there are inherent gaps in regional coordination given that the new agreements are all bilateral (one municipality working directly with another municipality).

While collaborative regional growth has many upsides, it may present additional infrastructure growth pressures on the City that are not accounted for in the 10-year CIO.

3.3.2 Uncertainty of Future Capital Grant Funding

The City is highly reliant on other orders of government to deliver its capital program, and does not have the financial means to fund transformational infrastructure projects or meet its renewal requirements without transfer funding. In the current 2023-2026 capital budget cycle, combined federal and provincial grants comprise a total of 38 per cent of capital funding. The City of Edmonton exists in an environment of continual financial uncertainty around the security and stability of provincial and federal infrastructure grants.

Even though transfer funding has contributed significantly towards Canada's municipal infrastructure, they also present several long-term-capital-planning challenges for big cities like Edmonton, including:

- Lack of funding certainty around the size and timing of funds for competitive project-based funding programs,
- Risk of fiscal 'belt-tightening' or changing federal and provincial priorities
- Risk of transfer funding programs changing with changes in government and,
- Lack of flexibility on the use of funds

Most of the upcoming funding programs from the federal and provincial governments is constrained funding and does not allow for flexibility to use as required by the City. Unconstrained funding, which can be used more flexibly on a variety of renewal and growth projects, has undergone significant reductions. This reduction significantly constrains the City's capital program, particularly its ability to fund its capital renewal program. Municipal transfers have also historically been one of the first budget items identified for reduction when federal and provincial budgets are constrained.

3.3.3 Capital Planning in a High Price Environment and the Impact of Tariffs

Price inflation remains a risk to the City's capital program. Inflationary pressures sharply increased in 2021 and 2022 due to supply chain disruptions caused by the COVID-19 pandemic and geopolitical conflicts, notably Russia's invasion of Ukraine, which upended commodity markets. This surge in inflation led to higher prices, which put significant strain on capital project budgets. In subsequent years, pressures moderated, translating to prices that continued to rise, albeit at a more gradual pace, but from already elevated levels.

Looking ahead, geopolitical trade disruptions, including Canada's ongoing trade conflict with the U.S., has the potential to put additional pressure on prices. Even though the scope of goods affected by U.S. and Canadian tariffs has been reduced over the course of 2025, sector-specific tariffs remain, including on steel, aluminum, and autos. In addition, U.S. tariffs on imports from other nations could have a downstream price effect on U.S. imports into Canada.

Another potential source of price inflation is the federal government's heightened focus on infrastructure development and nation-building projects. This initiative could intensify competition for labour, and other inputs, across the country at the same time as

immigration, a source of labour supply for the construction sector, is reduced. The extent of the effects would depend on the scope and scale of these projects, and whether they are occurring simultaneously.

High inflation and tariffs present direct risks to Edmonton's capital plan, impacting procurement, contracts and supply chains.

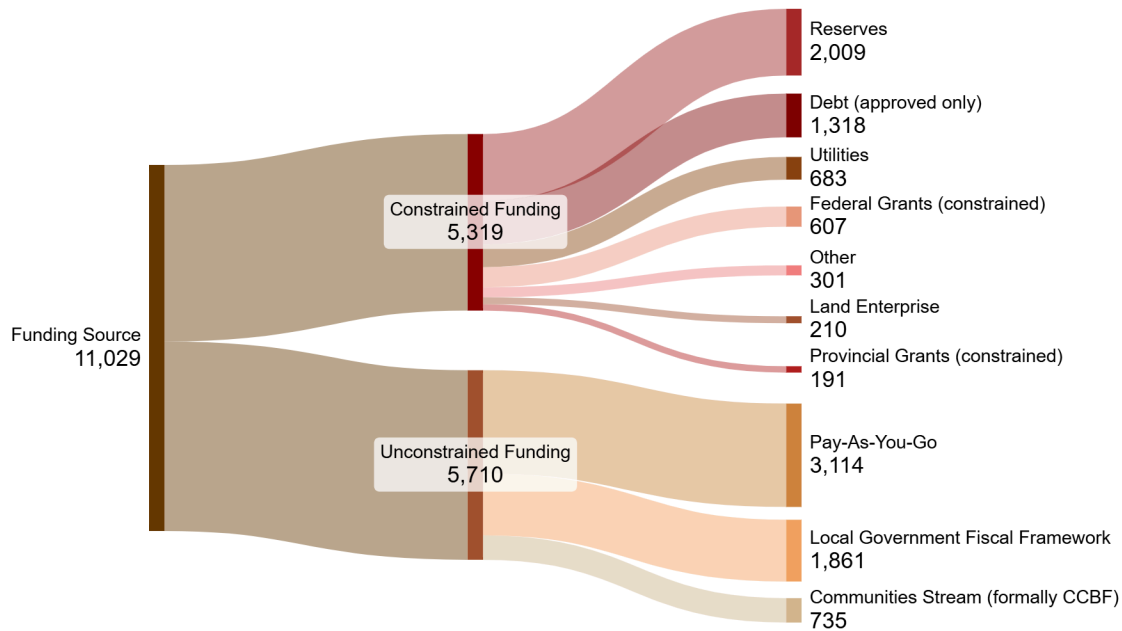
4. AVAILABLE CAPITAL FUNDING

4.1 CAPITAL FUNDING

The ability to advance growth and renewal capital projects is constrained by the amount of available capital funding and debt capacity. A successful long-term capital plan depends on achieving maximum certainty regarding the timing, source, and amount of available committed funding. Funding for capital is provided from internal and external funding sources to the City. The City aims to maximize funding from external sources such as provincial and federal grant funding, development fees and levies, sale and development of City-owned land, contributions from other specific purpose reserve funds and third party contributions, prior to utilizing internal sources such as Pay-As-You-Go (PAYGO) and the incurrence of debt.

Funding can be classified into two main categories: unconstrained and constrained. Unconstrained funding is available with minimal or no restrictions, for a variety of infrastructure needs. Constrained funding is dedicated (for various reasons) to specific types of infrastructure.

Figure 1: Funding Sources (2027-2036) (\$ millions)



As outlined in Table 2, the total projected funding in the 10 year CIO is \$11 billion, which includes \$5.3 billion of constrained funding and \$5.7 billion of unconstrained funding. \$3.1 billion of funding has been pre-committed to existing capital projects, leaving a combined \$7.9 billion available for all remaining growth and renewal investments over the period of 2027-2036.

Table 2: Total Funding Forecast

Funding Sources (\$ millions)	2027	2028	2029	2030	Total 2027-2030 (4 Years)	Total 2031-2036 (6 Years)	Total 2027-2036 (10 Years)
Constrained Funding	1,236	865	586	437	3,124	2,195	5,319
Unconstrained Funding	475	411	443	504	1,833	3,877	5,710
Total Funding	1,711	1,276	1,029	941	4,957	6,072	11,029
<i>Less: Funding already committed</i>	<i>(1,158)</i>	<i>(703)</i>	<i>(383)</i>	<i>(189)</i>	<i>(2,433)</i>	<i>(650)</i>	<i>(3,083)</i>
Total Funding Available	553	573	646	752	2,524	5,422	7,946

4.1.1 UNCONSTRAINED FUNDING

Table 3 shows the City's three unconstrained funding sources, which total \$5.7 billion over the 2027-2036 period. Of this amount, \$139 million is committed to future projects, leaving \$5.6 billion available for allocation to additional future growth and renewal needs.

Table 3: Unconstrained Funding Forecast

Unconstrained Funding Sources (\$ millions)	2027	2028	2029	2030	Total 2027-2030 (4 Years)	Total 2031-2036 (6 Years)	Total 2027-2036 (10 Years)
Pay-As-You-Go (PAYGO)	201	181	200	256	838	2,276	3,114
Local Government Fiscal Framework (LGFF)	206	166	173	178	723	1,138	1,861
Community Stream (formally CCBF)	68	64	70	70	272	463	735
Total Unconstrained Funding	475	411	443	504	1,833	3,877	5,710
<i>Less: Funding already committed</i>	<i>(78)</i>	<i>(36)</i>	<i>(17)</i>	<i>(8)</i>	<i>(139)</i>	<i>(0)</i>	<i>(139)</i>
Total Unconstrained Funding Available	397	375	426	496	1,694	3,877	5,571

4.1.1.1 Pay-As-You-Go: \$3.11 billion

Pay-As-You-Go (PAYGO) funding is largely made available from annual investment/dividend income, and a portion of the funds is received through property taxes. Investment volatility can significantly impact the total amount of funding available in a given year. PAYGO is a vital component of the City's funding strategy since it is used to pay for the costs grant-funded projects incur that are not eligible for reimbursement under federal and provincial grant funding rules. To maximize the use of grant funding, it is necessary to have an unconditional funding source to address the grant eligibility gaps. PAYGO funding has grown as a share of

total funding compared to previous budget cycles in large part due to the recently approved Dedicated Renewal Fund (DRF), which is currently being diverted to PAYGO until the DRF reserve is formally established.

4.1.1.2 Local Government Fiscal Framework: \$1.86 billion

In 2024, the Government of Alberta replaced the Municipal Sustainability Initiative (MSI) program, which has been the primary provincial funding source for Alberta municipalities' core capital infrastructure needs, with the Local Government Fiscal Framework (LGFF). The LGFF is a permanent, allocation-based program that will provide annual funding based on a revenue-sharing formula that will see funding grow (or decrease) in step with the change in provincial revenues. Provincial funding from the LGFF has provided the City with an average of \$170 million in each year for the past three years. The City's LGFF funding allocation formula is preserved in the *Local Government Fiscal Framework Act*, which means the funding allocation cannot be renegotiated. Any changes to the funding or the allocation formula will require a long term advocacy approach. The LGFF funds a broad cross-section of civic renewal and growth priorities and will be needed to support a multitude of capital priorities, including a considerable portion of the City's renewal program, which was previously funded through MSI. Given the significant demands for this funding for ongoing civic priorities, it is typically not used to support large-scale, transformative infrastructure projects.

4.1.1.3 Community Stream: \$0.74 billion

The Communities Stream of the Build Communities Strong Fund (BCSF), formerly known as the Canada Community-Building Fund (CCBF),⁴ is a predictable, long-term federal infrastructure funding program administered by the provinces. It supports municipal infrastructure priorities and has been in effect since 2014 under a 10-year agreement framework. A renewed administrative agreement between the Government of Canada and the provinces governs Community Stream transfers through to March 31, 2034 (a new 10-year agreement). Under this agreement, the federal government provides \$2.4 billion a year nationally to municipalities on a per capita basis, and is indexed to grow at two per cent annually. The funding can be used for a broad cross-section of infrastructure and does not require match funding; municipalities can also bank and borrow against the funds and pool funds for future use. The City is expected to receive approximately \$735 million over the 2027-2036 CIO timeframe, with a portion (\$77 million) already earmarked for the South LRT (to Century Park) debt servicing, which is fully retiring in 2030. This funding source will be needed to support a considerable portion of the City's renewal program given the flexibility of the program's eligibility parameters.

4.1.2 CONSTRAINED FUNDING

Table 4 shows the City's constrained funding sources, which total \$5.3 billion over the 2027-2036 period. Of this amount, \$2.9 billion has already been committed to future projects, leaving \$2.4 billion available for allocation to additional future growth and renewal needs for which the funding is constrained.

⁴ Prior to CCBF the program was called Gas Tax Fund.

Table 4: Constrained Funding Forecast

Constrained Funding Source (\$ millions)	2027	2028	2029	2030	Total 2027-2030 (4 years)	Total 2031-2036 (6 years)	Total 2027-2036 (10 years)
Federal Grants (constrained) ¹	182	156	114	73	525	82	607
Provincial Grants (constrained) ¹	167	24	0	0	191	0	191
Land Enterprise	17	21	22	26	86	124	210
Reserves	117	159	181	216	673	1,336	2,009
Utilities	76	85	94	63	318	365	683
Other	31	31	31	33	126	175	301
Debt (Non-utility) ²	646	389	144	26	1,205	113	1,318
Total Constrained Funding	1,236	865	586	437	3,124	2,195	5,319
<i>Less: Funding already committed</i>	<i>(1,080)</i>	<i>(667)</i>	<i>(366)</i>	<i>(181)</i>	<i>(2,294)</i>	<i>(650)</i>	<i>(2,944)</i>
Total Constrained Funding Available	156	198	220	256	830	1,545	2,375

¹ Includes only constrained grants currently approved for existing projects

² Includes only debt currently approved for existing projects

4.1.2.1 Federal Grants (Constrained): \$607 million

The 10-year funding forecast of \$607 million for federal constrained grants includes only funding already approved within the existing capital budget. It consists of funding from:

- Investing in Canada Infrastructure Program (ICIP) approved for Valley Line West, Metro Line to Blatchford⁵ and Capital Line South Extension LRT Projects,
- Federal Zero Emission Transit Fund (ZETF) program for the Southeast Transit Garage project,
- Smart Renewables and Electrification Pathways (SREP) program for the Blatchford District Energy project,
- The 2 Billion Trees Program (2BT) for the Tree planting, Greener As We Go project (While Federal Budget 2025 confirmed the 2BT program is ending, all existing funding commitments will be honoured), and
- Baseline funding allocation of the Canada Public Transit Fund for public transit-related improvements and core infrastructure needs.

Currently, no additional federal constrained funding has been included in the CIO's 10-year forecast, as there is uncertainty surrounding when funding will be available and what projects it might be able to support under the Metro Region Agreement stream of the Canada Public Transit Fund and the Canada Housing Infrastructure Fund.

⁵ Metro Line to Blatchford construction is complete, but the LRVs approved as part of the project will not be delivered until 2029-2030.

The federal funding landscape in section 4.2.2 provides additional details and considerations surrounding this uncertainty.

4.1.2.2 Provincial Grants (Constrained): \$191 million

The 10-year funding forecast of \$191 million for Provincial constrained grants includes only funding that has already been approved within the existing capital budget. It consists of the remaining match funding for:

- ICIP approved for Valley Line West, Metro Line to Blatchford,⁶ and Capital Line South Extension LRT projects,
- The recently announced Public Event Park in Edmonton's ICE District, the Village at ICE, Coliseum demolition and
- The remaining portion of the one-time Provincial funding for the Terwillegar Drive Expressway Upgrades project.

No additional provincial constrained funding has been included in the CIO's 10-year forecast, as there is no new infrastructure funding dedicated to municipalities besides the expected LGFF funding allocations. The provincial funding landscape in section 4.2.3 provides additional details and considerations surrounding this uncertainty.

4.1.2.3 Land Enterprise: \$210 million

Land Enterprise encompasses all of the City's land development activities. Within Land Enterprise are two distinct programs: Land Enterprise and Blatchford. Both programs invest capital dollars into City owned land to increase the value of the land before sale while also contributing to other City building outcomes such as climate resilience, affordable housing, supporting other capital projects, removing barriers for private development, addressing the fiscal gap by reducing operating and maintenance costs, generating revenue through sales and increasing real tax growth. Each program utilizes its own retained earnings for funding.

Land Enterprise Retained Earnings

Land Enterprise manages the development and redevelopment of both surplus and enterprise lands. The Land Enterprise portfolio includes greenfield, brownfield, contaminated, transit oriented development, infill, residential, mixed use, commercial, industrial lands, and transformational projects such as Exhibition Lands and River Crossing. With this portfolio approach to land development, the City is able to use revenue from profitable projects, such as greenfield projects, to fund projects with large financial barriers such as surplus and transformational projects.

Unless there are legal or policy requirements that dictate otherwise, when land is sold Land Enterprise recognizes the net proceeds of the sale: the revenue of the sale minus the costs related to the original acquisition and any additional capital expenditures to improve the land. The net proceeds are reduced by any additional operating expenses, and are then added to the Land Enterprise Retained Earnings which is used as the sole funding source for Land Enterprise activities, including all capital and operating expenses. As per Council Policy C511A Land Development, Land Enterprise (excluding Blatchford) will pay an annual dividend to the City of Edmonton in the second quarter of each year based on 2.5 per cent of

⁶ Metro Line to Blatchford construction is complete, but the LRVs approved as part of the project will not be delivered until 2029-2030.

the year-end balance of Land Enterprise Retained Earnings for the previous year. Revenue is reinvested into remaining lands to generate further revenue while achieving many of the aforementioned City building outcomes.

Blatchford Retained Earnings

Blatchford manages the redevelopment of the decommissioned Edmonton Municipal Airport into an urban, people-first infill community. Blatchford will be home to up to 30,000 Edmontonians living, working and learning in a sustainable community that uses 100 per cent renewable energy, is carbon-neutral, significantly reduces its ecological footprint and empowers residents to pursue a range of sustainable lifestyle choices. When land is sold, capital expenditures incurred by Blatchford for the land are recorded and net proceeds go to the Blatchford Retained Earnings which is used as the funding source for Blatchford redevelopment, including all capital and operating expenses related to land development.

4.1.2.4 Reserves: \$2.01 billion

Council Policy C217F - Reserve and Equity Accounts, directs the establishment of and processes related to reserves. The City has multiple established reserves that have been used to fund capital expenditures in the past. The two largest constrained reserves used for capital are the Neighbourhood Renewal and Fleet Services replacement reserves. While not a reserve, the off-site levy funding for fire stations is held by the City until the related fire stations are constructed.

Neighbourhood Renewal Program (NRP) Tax Levy

Council approved a dedicated tax levy for the Neighbourhood Renewal Program, which began ramping up tax levy funding beginning in 2009. In 2017, Council endorsed the additional component of the Alley Renewal Program, which expanded the NRP to include alleys. This component of the program was phased in starting in 2019, and fully implemented in 2023. The total annual NRP levy collected and designated for capital is \$174.4 million per year.

Fleet Vehicle Replacement Reserve

A dedicated Fleet Vehicle Replacement Reserve was established in 2010. This reserve is in place to provide long-term funding of capital replacement needs for the City's civic vehicles. Fleet Services uses a pricing model that charges a fixed rate for vehicle replacement funding while maintenance costs are charged directly through work orders. Fuel charges are billed separately, as fuel prices can be highly volatile, and are largely controlled by a customer's usage patterns. ETS buses and light rail vehicles are not accommodated through this reserve and therefore, are not subject to the fixed rate charges and require separate funding including grants to support transit fleet replacement.

Off-site Levy for Fire Stations

Off-site levies function as a municipal financing tool by collecting developer contributions and holding them to fund capital projects such as fire stations and roads needed to support new developments. These funds are dedicated exclusively to the specified infrastructure and are separate from the City's general revenues. The 2017 update to Alberta's *Municipal Government Act* (MGA) expanded levy eligibility to include fire station facilities, allowing the City to introduce the Off-site levy for fire stations in 2022. These levies provide a revenue stream that is collected gradually as development occurs within the benefiting area.

However, since fire stations are usually required before full build-out, off-site levies are effective for cost recovery but less effective for front-ending infrastructure.

Historically, fire stations were funded through a mix of grants, PAYGO funding and tax-supported debt. By using off-site levies for a portion of the capital cost, some of these funding sources can be redirected to other City priorities even though the timing difference between when the levies are collected and when construction costs are incurred creates a challenge that requires the use of interim PAYGO or debt. It is important to note that off-site levies collected from developers will not cover the full construction cost of growth fire stations and associated equipment. For example, industrial zoned areas are exempt from payment of off-site levies to promote the City's non-residential tax base. The share of cost for industrial areas, as well as for any land that has already been developed within a benefiting area, will need to be offset through other funding sources.

4.1.2.5 Utility Operations: \$683 million

Utility operations include Waste Services, Blatchford Renewable Energy and Downtown District Energy. Utility funding sources primarily include retained earnings and self liquidating debentures. One exception is Blatchford Renewable Energy which will also require an external non-refundable cash infusion to support capital investment and achieve long-term financial sustainability.

One of the key tenets of the fiscal policy for each Utility is that they are intended to be self-funded and therefore not rely on grants or funding from tax levy in the long-term. Only grants specifically targeted for utilities are leveraged; however, as noted in FCS03164 Blatchford Renewable Energy Utility 2025 Rate Filing and Fall 2025 Supplemental Budget Adjustment, this utility requires a non-refundable cash infusion to be financially sustainable, and the amount will increase due to the removal of the federal consumer carbon tax.

4.1.2.6 Other: \$301 million

Other funding includes items such as developer financing, developer arterial roadway assessment contributions, and internal PAYGO funding from the Edmonton Police Service and Edmonton Public Library. The funding forecast shown in the CIO is based on the average spending for these funding sources in the 2023-2026 capital budget cycle.

4.1.2.7 Debt Financing: \$1.32 billion

Borrowing is a method of financing capital projects. It is not a funding source itself. The City has three main types of long-term debt obligations:

- Tax-supported debt funded by tax levy,
- Self-supporting tax-guaranteed debt funded through dedicated non-tax levy revenues, and
- Self-liquidating debt funded through programs that are self-sustaining, such as the Waste Services Utility, the Blatchford Redevelopment Project and local improvements.

Only debt that has already been approved for the 10-year period has been reflected in the funding forecast. Section 4.3 contains more details of the use of additional debt to finance capital projects during the 10-year outlook period.

4.2 GRANT FUNDING

4.2.1 OVERVIEW

This section provides an overview of the federal and provincial grant funding landscape, and identifies some of the opportunities and challenges of moving the City's capital infrastructure priorities forward. In the current 2023-2026 capital budget cycle, approximately 38 per cent of the City's capital program is contingent on grant funding from the federal and provincial governments. Compared to the current capital budget cycle, there is a notable decrease in confirmed grant funding to support the upcoming capital budget cycle (2027-2030). This is due to gaps in, and under-funding of, current grant programming. There is also uncertainty around the City's ability to access recently announced federal funding, and whether, or to what degree, the provincial government will cost-share these federal initiatives or introduce its own, new capital funding programs.

Significant federal funding is currently being delivered through the ICIP, as well as the Community Stream of BCSF. Through the ICIP, the City is receiving \$1.47 billion for LRT network expansion to advance the Valley Line West, Metro Line to Blatchford⁷ and Capital Line South Extension to Ellerslie Road projects. ICIP funding has been fully allocated for a number of years and the City's Communities Stream of BCSF funding is largely allocated for South LRT debt-servicing until the debt is fully retired in 2030. The debt repayment amount, however, begins to drop significantly by 2027, which will allow the City to redirect more of the annual allocation to other civic priorities.

An annual LGFF allocation, \$1.47 billion in ICIP provincial match funding for LRT network expansion, and other key initiatives, including \$241.6M for the Yellowhead Trail Freeway Conversion, \$28.3 million for the 50th Street CP Railway Grade Separation and \$157.5 million Terwillegar Drive Expansion, provide the bulk of the City's provincial grant funding.

The implementation of the *Provincial Priorities Act* (Bill 18) on April 1, 2025, has significantly changed the grant funding landscape. This legislation requires municipalities and municipal entities to obtain prior approval from the Government of Alberta before entering into, amending, extending or renewing an agreement with a federal entity, with some exceptions as specified in the regulations. Federal entities include departments within the Government of Canada, federal Crown corporations, and federal agencies and commissions. The legislation adds an additional administrative step to access federal funding and enables the provincial government to exercise authority over direct federal - municipal funding agreements without also providing financial funding support.

Given the City's reliance on grant funding from other orders of government, without the fiscal capacity to generate own-source revenues to self-fund its capital program, fully optimizing and leveraging available grants to advance the capital plan will continue to be important in the upcoming 2027-2030 capital cycle.

4.2.2 FEDERAL FUNDING LANDSCAPE

The Federal Budget 2025 announced the 10-year, \$51 billion Build Communities Strong Fund. This capital funding flows through a number of different streams, some of which are competitive, and not all of which are open to the City of Edmonton. A large proportion of this

⁷ Metro Line to Blatchford construction is complete, but the LRVs approved as part of the project will not be delivered until 2029-2030.

funding was announced previously, and Budget 2025 reallocates it under the BCSF banner. The BCSF funding breaks down into the Community stream, Provincial and Territorial stream and the Direct Delivery stream.

- The Community stream, formerly the CCBF, provides \$27.8 billion over 10 years through long-standing per-capita allocations. Edmonton's 2025 Community Stream allocation is set at \$61.4 million. This stream continues its practice of adjusting allocations for inflation and population growth.
- The Provincial and Territorial stream allocates \$17.2 billion over 10 years, including \$12.2 billion for housing-enabling infrastructure and provincial priorities such as post-secondary institutions, and \$5 billion dedicated to health infrastructure. These funds do not flow directly to municipalities. Instead, provincial governments decide how the funds will be used, including for provincial assets like roads, colleges and hospitals. Municipal projects seeking funding through this stream require approval from both the provincial and federal governments and must proceed through a negotiated cost-sharing agreement.
- The Direct Delivery stream provides \$6 billion over 10 years for regionally significant municipal projects, including building retrofits, climate adaptation and local infrastructure. Portions of this funding were reprofiled from programs such as the Canada Public Transit Fund (direct delivery stream) and the Canada Housing Infrastructure Fund. Access to this stream requires demonstrating regional significance and seeking private-sector investment, though further details are needed to understand how these conditions may affect Edmonton's ability to apply.

Budget 2025 also introduced two additional programs available to municipalities.

- The Trade Diversification Corridors Fund, supported by the Canada Infrastructure Bank, commits \$5 billion over seven years for projects that improve national trade flows across ports, rail, roads, airports and digital infrastructure. Detailed program criteria will be released in January 2026, and the program is expected to resemble the current National Trade Corridors Fund.
- The Arctic Infrastructure Fund, dedicates \$1 billion over four years to dual-use northern infrastructure, including airports, seaports and all-season roads, with the aim of supporting economic development, strengthening Arctic sovereignty and contributing to North American defence.

Together, these federal programs provide a mix of direct funding to municipalities and funding that flows through provinces and territories. For direct funding, provincial cost-share funding is not required, but with the federal share typically capped at 40 per cent of eligible project costs, municipalities must cover the remaining portion where no provincial funding exists. For funding that flows through provinces and territories, funding allocations are at the provincial government's discretion, which may limit municipal influence when priorities diverge.

More broadly, the Federal Government's Budget 2025 signals a shift in federal focus away from general municipal infrastructure investment to national priorities such as international trade, interprovincial trade, defense and immigration, while still underscoring its ongoing emphasis on initiatives that clearly support housing supply. To address growing renewal needs and respond to growth pressures, municipalities require the federal government to

launch a large-scale successor program to the ICIP but unconstrained in its application, in addition to capital funding announced in Budget 2025.

The Canada Infrastructure Bank (CIB), mandates the use of its federal endowment to attract private capital and co-invest with private-sector and institutional investors in new, revenue generating infrastructure projects that might not otherwise be built or would not be built with private sector involvement. Budget 2025 significantly expands the CIB's role and financial capacity to accelerate major "nation-building" projects. The CIB's total statutory capital envelope is increased by \$10 billion, from \$35 billion to \$45 billion and the CIB is now able to invest in any "nation-building" projects that are referred to the new Major Projects Office. With the federal government's focus of stimulating long-term economic growth through strategic capital investment, the CIB's potential investment areas are broadened beyond its initial core sectors (e.g., green infrastructure, transportation) to include areas of national importance like clean energy, trade corridors, artificial intelligence and housing-enabling infrastructure. As noted above, the new \$6 billion Direct Delivery stream of the BCSF requires project proponents to seek private capital, including CIB financing, to be eligible for federal funding. It is not yet known how this requirement will impact the City's ability to leverage this funding.

While the private sector can play a role in financing municipal infrastructure and the City may pursue innovative partnerships when a project presents a viable business case, federal grants remain preferable to loans. Municipalities depend on non-repayable matching grants, and replacing them with repayable loans would significantly impact recipients. The CIB is therefore better suited to supplement federal programs rather than replace them, and should be used only when its financing is more attractive than traditional forms of debt financing, when meaningful risk transfer exists or when a project is ineligible for traditional forms of debt financing. The CIB should remain optional, with engagement determined locally, as municipalities best understand their own capital needs and long-term asset management.

Since the CIB's creation, the City has explored numerous potential civic projects aligned with CIB focus areas, including LRT expansion, transit infrastructure, fleet electrification, and building retrofits for civic buildings. The City specifically explored the CIB's Public Building Retrofits Initiative, which following a detailed assessment was determined not to be an appropriate financing tool for the City.

4.2.3 PROVINCIAL FUNDING LANDSCAPE

The majority of capital infrastructure funding currently provided by the provincial government flows through the Local Government Fiscal Framework. The LGFF is a permanent, allocation based program that provides annual funding based on a revenue sharing formula that increases or decreases in line with provincial revenues. Examples of infrastructure the City has supported with LGFF funding include major road and bridge renewal and rehabilitation; reinvestment in public transit (including transit stations and vehicles); structural and roof refurbishment for recreation centres, arenas, pools, police stations, fire stations and replacement of public libraries. The City's 2025 funding allocation is \$179.1 million, and is projected to decrease by 2.5 per cent in 2026.

The LGFF is also the City's largest source of unconstrained grant funding, which gives the City significant flexibility on how to utilize the annual funding allocation. The City typically uses LGFF to fund a broad cross section of renewal and growth projects, supporting a multitude of capital priorities. LGFF funding makes up a considerable portion of the City's capital

renewal budget. Given the significant demands for this funding for ongoing civic priorities, it is typically not used to support large-scale, transformative infrastructure projects.

Provincial unconstrained grant programs have undergone significant reductions in recent years. Prior to the LGFF program, the province's main program for unconstrained grants to municipalities was MSI. Inflation-adjusted per capita funding peaked in 2010, at \$434 under the MSI program, whereas the 2026 LGFF allocation is projected to be \$137 per capita, a 68 per cent reduction from the 2010 peak (2025 inflation-adjusted dollars). To address infrastructure maintenance responsibilities, municipalities require the provincial government to reinstate previous per-capita funding levels.

The City also relies on provincial infrastructure funding to match federal funding programs, which is critical for large transformative projects, such as LRT network expansion. In recent years, the provincial government has committed \$1.47 billion to three LRT network expansion projects in Edmonton. The City is also currently receiving provincial match-funding for the 50th Street CP Railway Grade Separation project (\$28.3 million), Yellowhead Trail Freeway Conversion project (\$241.6 million) and Terwillegar Drive Expansion (\$116.5 million). More recently, the Government of Alberta has committed \$183 million to the development of a new event park and site servicing for a 2,500 unit community in the Village at the Ice District, as well as demolition of the Coliseum and work to advance the early stages of the Exhibition Lands development. The City will contribute \$138 million, and Oilers Entertainment Group will provide \$87 million towards these projects.

Provincial cost-sharing remains a necessary requirement to realize many capital infrastructure needs. Because the vast majority of the City's provincially allocated capital infrastructure funding is already committed, without dedicated match funding from the provincial government that aligns with federal priorities, it is likely to be more difficult to leverage federal funding going forward. Provincial match funding is also important due to the restrictions attached to federal funding, specifically with respect to land which is not an eligible expenditure under federal programs, yet can be a significant expense for many projects (e.g. LRT network expansion projects and the Yellowhead Trail Freeway Conversion project). The City has relied on provincial funding support for land acquisition, or alternatively has had to fund this expenditure on its own to leverage partner funding, significantly increasing the City's share of project costs.

The Government of Alberta's Budget 2024 announced the Drought and Flood Protection Program, a multi-year grant program to help municipalities and Indigenous communities improve their long-term resilience to drought and floods events, with \$25 million per year in funding available from 2024-2025 through to 2028-2029. In late 2025, the City submitted three grant applications totalling \$9.45 million to the program for the Forest Heights, Rosssdale and Mill Creek areas to increase drought and flood protection through dry pond construction, storm water enhancements, naturalization of water ways, sewer separation and structural optimization. All three applications are currently pending.

Provincial funding has also flowed through Emissions Reduction Alberta (ERA), the Municipal Climate Change Action Centre and Alberta Innovates. This support is typically available as short-term grants for smaller-scale initiatives or funding targeted more at heavy industry and business than at municipalities. Through ERA, the City of Edmonton has received \$6.9 million to support the City's Alberta Zero Emissions Fleet Fuelling project, in partnership with Sturgeon County and Strathcona County. This funding was provided to develop two mobile hydrogen fuelling stations to supply the City's hydrogen-capable fleet vehicles during the testing phase of low-emissions fleet alternatives. The City was also granted \$4.6 million from

ERA for a Hydrogen Bus Trial with Strathcona County, to test the new technology, utilizing the H2 fueling station planned for the LPG fueling depot at Suncor Energy's Edmonton Refinery. The City has further benefited through a \$10 million ERA grant for the Clover Bar Landfill Gas to Renewable Natural Gas project being delivered with Capital Power.

4.3 DEBT CAPACITY

4.3.1 WHY THE CITY USES DEBT

Unlike other orders of government the City borrows only for capital. Debt is a critical tool for any large city's capital infrastructure program. Without the use of debt, the City would not be able to advance significant infrastructure projects without first accumulating the savings to pay for projects up front. There are many problems with this approach, the most obvious one being that if the City had to save the full amount of a project's costs in advance, there would be an inequitable time lag between the residents who have to pay for the project and the residents who benefit from the project. Not only that, negative carrying costs can be associated with this approach, where the cost of construction increases faster than the investment return earned on savings over the same period of time.

The use of debt also helps the City to maximize its capital funding in those situations where eligibility constraints on grant funding from other orders of government prevent the funding of a City infrastructure project in its entirety. Some granting streams also require the City to provide matching funds simply to access grants; without the use of debt financing for the City's share of certain projects, the City would not be able to access such grant funding.

4.3.2 HISTORICAL USE OF DEBT

In the 1970s the City managed tax-supported debt by setting a limit on the amount of new debt that could be issued each year.⁸ The tremendous growth pressures in the late-1970s to support the energy boom led to a relaxation of the total debt limit, resulting in a threefold increase in annual borrowing. This resulted in Edmonton's tax-supported debt being higher than most other major Canadian cities.

The recession and high interest rates of the early 1980s prompted a revised debt management policy. New tax-supported debt issues were limited to \$25 million per year with a five-year repayment term. Shorter borrowing terms for utility debt were also required.⁹ The objective was to prohibit new tax-supported borrowing after 1990. Subsequent to 1990, a pay-as-you-go approach was adopted for tax-supported capital projects as an extreme reaction to the high-interest-rate environment and debt challenges of the 1980s.

In 2002, pay-as-you-go as a strict financial strategy was abandoned as it became impossible to build infrastructure to support a growing City without large tax increases to fund infrastructure on a cash basis. The City's financial debt was not growing, but its infrastructure debt was becoming significant. With a "no-tax-supported-debt" strategy, the City was unable to address its growing infrastructure needs. Due to the decision to severely constrain debt use in the 1980s, and to use debt only for utility infrastructure after 1990, the City's capital program became severely constrained: construction of some of the types of

⁸ New debt was generally issued for 25 year terms.

⁹ Utility debt was serviced with utility revenue, not property taxes.

facilities that contribute to quality of life and the economic well-being of Edmonton did not occur.

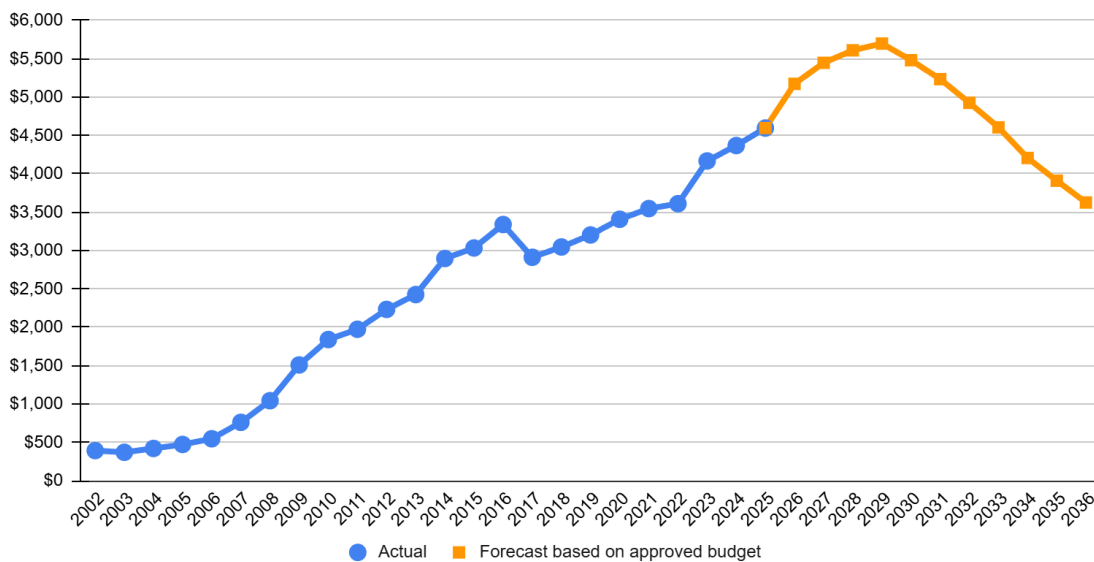
Tax-supported debt was reintroduced with a revised Debt Management Fiscal Policy, C203B, (DMFP) in 2002. At that time, a \$250 million borrowing guideline was established with \$50 million per year allocated over five years for debt-financed projects. As growth pressures accelerated, a revised DMFP C203C was approved in 2008 that remained in effect until 2022. Under the DMFP C203C, the use of debt as a financing tool for major capital projects accelerated. Average annual borrowing has shown a general upward trend across subsequent capital budget cycles:

- 2009–2011: \$280 million
- 2012–2014: \$273 million
- 2015–2018: \$277 million
- 2019–2022: \$301 million
- 2023–2026: \$435 million

The debt incurred in this period was used to advance a combination of renewal and growth projects such as libraries, recreation centres, Great Neighborhoods Program, LRT expansion projects, Yellowhead Trail Freeway Conversion, Transit Garage projects and the Walterdale Bridge.

Figure 2 illustrates the City's total debt beginning in 2002 and projected out to 2036. The data is divided into two segments: the period 2002 to 2024 represents the actual incurred debt as reflected in the City's financial statements, and the period 2025 to 2036 provides projections for both existing and approved future debt. The figures throughout the entire chart are strictly limited to debt associated solely with approved capital projects, thereby excluding any assumption of future borrowing for unapproved initiatives.

Figure 2: Total Debt (\$ millions)



4.3.3 DEBT MANAGEMENT FISCAL POLICY

The City of Edmonton Charter 2018 Regulation (the Charter) was formally approved by the Government of Alberta in April 2018. The Charter contains policy tools that provide the City

with increased authority or flexibility in areas such as administrative governance, assessment and taxation, city planning and environment. The Charter permits the City to set its own debt limit and debt servicing limit, so long as the City obtains an external credit rating and establishes its own debt limit policy and debt servicing policy. The Charter also specifies that, before establishing a debt limit policy and debt servicing policy, City Council must hold an advertised public hearing.

Council approved an updated Debt Management Fiscal Policy C203D in the November 14, 2022 Financial and Corporate Services report FCS01494 Debt Management Fiscal Policy Update. The revised policy is used to help guide the City in its use of debt financing. It classifies debt into two major categories: tax supported and self-liquidating. The category of tax-supported debt is broken down into tax-supported (the primary repayment of debt is property taxes) and self-supporting tax-guaranteed (the primary repayment of debt is some other revenue source such as grants, user fees, lease payments, etc). Self-liquidating debt is predominantly debt incurred on behalf of City utilities, and is repaid through utility rate revenue.

Council Policy C203D allows for the use of long-term debt for the following applications:

- Large projects with long-term benefits.
- Projects with benefits for the community-at-large (for tax-supported debt).
- Growth-related projects.
- Emerging needs to support corporate priorities and approved strategic plans.
- Major rehabilitation of existing assets as a short term strategy to eliminate a significant infrastructure renewal backlog.
- Borrowing related to emergency purposes, as defined by the policy.¹⁰
- Borrowing related to financing the Clean Energy Improvement Program.
- Borrowing to finance loans to non-profit organizations or controlled corporations for capital purposes.

The City's DMFP C203D imposes stricter borrowing restrictions than those mandated by the *Municipal Government Act*. Specifically, the DMFP C203D incorporates additional limitations as debt servicing increases. This approach allows the City to continue advancing key priorities while using debt in a prudent and sustainable manner.

4.3.3.1 Debt Servicing Limits

Limits for borrowing under Council Policy C203D are summarized below:

- Tax-supported debt servicing up to 18 per cent of tax-supported net expenditures is flexible and permitted for all types of capital projects listed under section 1.3 of the policy. Debt financing above this limit is permitted but is restricted to:
 - Tax-supported debt financing for projects that have a minimum of one-third funding from external sources, such as grants from other orders of government and partner contributions,
 - Self-supporting tax guaranteed debt, or
 - Borrowing for emergency purposes, as defined in the policy.

¹⁰ For the purposes of the policy, an emergency could not have reasonably been anticipated and must be an urgent and critical situation of a temporary nature that pertains only to the City's capital assets that: 1) imminently and seriously endangers the lives, health, safety or welfare of people; or 2) requires prompt action to limit damage to City property or the environment; or 3) compromises the integrity of infrastructure service delivery.

- Total debt servicing is limited to 21 per cent of consolidated revenues. Total Debt Servicing is permitted to exceed 21 per cent of consolidated revenues up to and including a maximum of 26 per cent of consolidated revenues with borrowing restricted for emergency purposes only, as defined in the policy.

4.3.3.2 Current Capital Budget Cycle

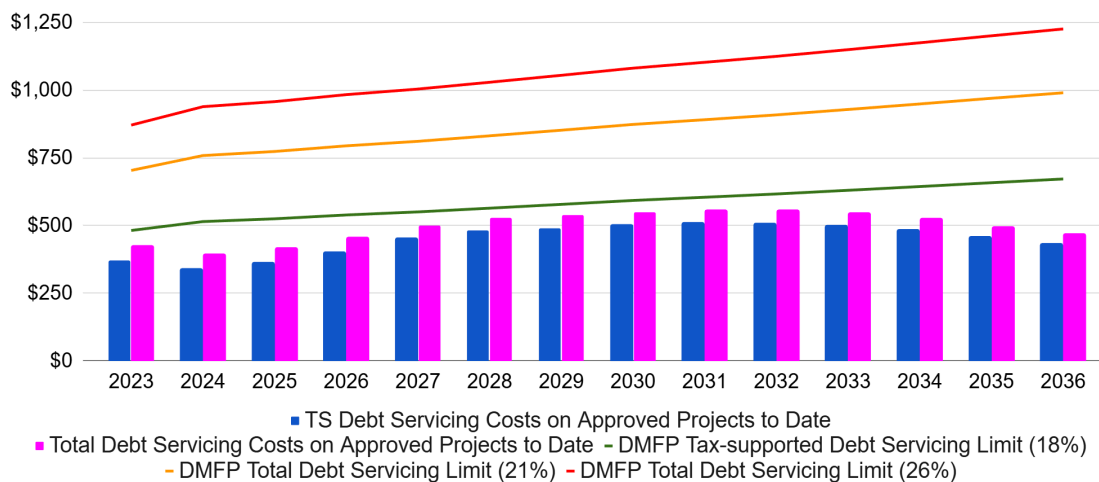
The 2023-2026 Capital Budget contains \$2.56 billion in tax-supported debt to advance a number of new and previously approved transformational City building projects with \$1.13 billion in tax-supported debt approved for 2027 and beyond. These projects include:

- Valley Line Southeast and West LRT
- Metro Line LRT: NAIT to Blatchford Extension
- Capital Line South LRT: Century Park to Ellerslie Road
- Yellowhead Trail Freeway Conversion
- Terwillegar Drive Expressway Upgrades
- Lewis Farms Community Recreation Centre and Library
- Coronation Park Sports and Recreation Centre
- William Hawrelak Park Rehabilitation
- New Transit Bus Garage
- High Level Bridge Rehabilitation
- Climate Resilient City Facility Upgrades
- Downtown District Energy Initiative
- Blatchford Renewable Energy Utility Delivery
- Active Transportation Implementation Acceleration
- Public Event Park and Village at ICE District Site Servicing
- LRV Replacements
- Growth Buses

4.3.3.3 Debt Servicing

The City monitors its debt repayment against the DMFP debt servicing limits. Tax-supported (TS) debt servicing includes tax-supported and self-supporting tax guaranteed debt repayments while total debt servicing is the repayment of all debt (tax-supported plus self-liquidating). Based on known debt commitments through September 2025, total debt servicing is projected to be highest in 2031 before gradually decreasing. This trajectory largely reflects the scheduled timing and completion of key projects, though the projection is subject to numerous assumptions regarding future interest rates, revenue growth and the precise timing of borrowing.

Figure 3: City Policy 203D - Debt Servicing Limits (\$ millions)



Tax-Supported Debt Servicing

Tax-Supported Debt Servicing Limit: 18 per cent of Tax-Supported Net Expenditures

Total tax-supported debt servicing is projected to reach its highest dollar amount in 2031 at \$510 million. However, the City is at its most constrained point in 2028, where it utilizes 85.3 per cent of the available 18 per cent limit.

While the City's debt limits are calculated based on annual debt servicing costs (the yearly principal and interest payments), it is important to translate this fiscal room into the total borrowing capacity available for new capital investment. This conversion allows for a clearer understanding of the total amount of debt-funded projects that could be approved within the 10-year planning horizon.

Utilizing an assumed annual interest rate of 5.0% and a 25-year term, the City's projected capacity for new tax-supported borrowing is estimated at \$1.29 billion for the 2027–2030 period and \$2.10 billion for 2031–2036, representing a cumulative 10-year capital investment capacity of \$3.39 billion. It should be noted that the definitive amount of borrowing undertaken will remain contingent upon the specific interest rates at the time of issuance and the requirement to match debt terms to the economic useful life of the assets being financed.

Total Debt Servicing

Total Debt Servicing Limit: 21 per cent of Consolidated Revenues

Total debt servicing costs are projected to peak in 2031 and 2032 at \$558 million. Despite these being the highest spending years in absolute terms, the City gets closest to hitting the 21 per cent limit in 2028, with a utilization rate of 63.5 per cent.

Converting the amount of actual capacity to borrow under this debt limit using the same assumptions of term and rates referenced in the tax-supported debt limit section above, this would account for the ability to borrow an additional \$7.38 billion over the period of 2027–2036.

Total Debt Servicing Limit: 26 per cent of Consolidated Revenues (Emergency)

Borrowing up to the 26 per cent of City revenues limit is only allowable for emergency purposes as defined in the DMFP C203D. Similar to the 21 per cent limit, the highest volume of debt servicing applied against this threshold occurs in 2031 and 2032 at \$558 million. The point of closest proximity to this limit occurs in 2028, when the City is projected to have used 51.3 percent of its 26 per cent capacity.

Converting the amount of actual capacity to borrow under this debt limit using the same assumptions of term and rates referenced in the tax-supported debt limit section above, this would account for the ability to borrow an additional \$10.70 billion over the period of 2027–2036.

Table 5: Debt Servicing Forecasts Compared to Limits (\$ millions)

Debt Management Fiscal Policy C203D Debt Servicing Limits	Projections*									
	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Total Tax-Supported Debt Servicing	453	481	490	502	510	507	499	484	458	433
Long-Term	336	371	395	414	423	423	420	412	397	383
Self-Supporting Tax Guaranteed	117	110	95	88	87	84	79	72	61	50
Self-Liquidating Debt Servicing	48	47	47	48	48	51	47	46	41	38
Total Debt Servicing	501	528	537	550	558	558	546	530	499	471
Tax-Supported Debt Servicing Limit (18%)	550	564	578	593	605	617	630	644	658	672
% used	82.4%	85.3%	84.8%	84.7%	84.3%	82.2%	79.2%	75.2%	69.6%	64.4%
% available	17.6%	14.7%	15.2%	15.3%	15.6%	17.8%	20.8%	24.8%	30.4%	35.6%
Total Debt Servicing Limit (21%)	811	832	852	874	891	909	929	949	970	991
% used	61.8%	63.5%	63.0%	63.0%	62.6%	61.4%	58.8%	55.8%	51.4%	47.5%
% available	38.2%	36.5%	37.0%	37.0%	37.4%	38.6%	41.2%	44.2%	48.6%	52.5%
Total Debt Servicing Limit (26%)	1,004	1,029	1,055	1,082	1,103	1,125	1,150	1,175	1,201	1,226
% used	49.9%	51.3%	50.9%	50.8%	50.6%	49.6%	47.5%	45.1%	41.5%	38.4%
% available	50.1%	48.7%	49.1%	49.2%	49.4%	50.4%	52.5%	54.9%	58.5%	61.6%

*Includes additional debt approved within the Fall 2025 Supplemental Capital Budget Adjustment

4.3.4 INTEREST RATES

Under the *Local Authorities Capital Financing Act*, the Government of Alberta provides the City with financing for capital projects. The Government of Alberta's loan pricing policy for local authorities has undergone several changes over time. In December 2021, a policy change introduced higher loan rates, setting them at a level similar to what a major city could access in the bond market. This decision increased municipal loan rates by approximately 50 to 75 basis points (or 0.5 to 0.75 per cent), adding millions of dollars in costs to community infrastructure projects. More recently, the Government of Alberta announced a new policy, effective April 1, 2025, which aims to reduce interest rates for the City. This policy requires that interest rates for all new loans to local authorities will be based on the current estimated rate the provincial government can obtain in the market.

As interest rates decrease in Canada, the City's cost to borrow will also decrease. Since September 2023, the interest rate on a 25-year loan has decreased by over one per cent. Table 6 shows the annual debt servicing cost per every \$100 million borrowed from the Government of Alberta from 2023 to 2025. Between 2023 and 2025, the annual debt

servicing cost has decreased by approximately \$760,000 for every \$100 million in new borrowing.

Table 6: Loans to Local Authorities - 25 Year Loan

2021	2022	2023	2024	2025	+ 0.25%	+ 0.5%	+ 1%
2.48%	5.05%	5.43%	4.92%	4.35%	4.60%	4.85%	5.35%
Total Interest Cost per \$100M		\$83.9M	\$74.9M	\$65.0M	\$69.3M	\$73.7M	\$82.5M
Annual Debt Servicing per \$100M		\$7.36 M	\$7.00 M	\$6.60M	\$6.77M	\$6.95M	\$7.3M

**Rates reflect data as of September of each year*

5. BALANCING RENEWAL AND GROWTH

5.1 OVERVIEW

There are two broad types of capital investment: renewal and growth. Renewal refers to investment in existing infrastructure to restore it to an efficient operational condition and extend its service life. This might include replacement of individual components as they age or become obsolete. Capital investment in renewal extends the period of service potential but does not change the replacement value, which means it doesn't increase the size of the infrastructure asset portfolio. Renewal investment is necessary to maintain assets, but the City must determine how much to spend, when and to what benefit (determining if it is worth the cost). Growth includes investment in new assets as well as investment in projects that add to or enhance existing assets, all with an eye to improving the type of service provided, the functionality and/or the capacity of the asset.

The City, like all government organizations, operates under fiscal constraints and resource limitations, which raises certain questions: How should the City spend limited funds on infrastructure? Should the City maintain existing assets or build new assets? What will best serve Edmontonians? What is the best use of public dollars?

Building and properly maintaining infrastructure assets is necessary so that Edmonton can provide services and remain an attractive, cost-effective place to live and do business. A core principle of any long-term capital plan is to measure the investment in existing infrastructure so that assets are in a condition that allows them to meet intended service levels. When a city is aging and growing simultaneously, balancing investment choices between renewal and growth is a significant challenge. As infrastructure ages, more maintenance and rehabilitation is required to ensure that it is performing well and continuing to meet the needs of residents. At the same time, there are demands for new infrastructure to support growth. The City does not have enough funding to meet all its infrastructure needs. As such, tradeoffs need to be made.

5.1.1 Importance of Renewal Investment

Balancing infrastructure renewal and growth is critical to ensuring long-term financial sustainability and service reliability. When renewal investment falls behind, it creates a growing infrastructure deficit that threatens the quality and efficiency of municipal services. An overemphasis on growth at the expense of renewal not only exacerbates the existing renewal deficit but also increases future renewal liabilities, leading to compounded financial pressures on the city. Cities that do not appropriately balance renewal and growth investments face severe financial and operational consequences. While growth is essential for economic expansion and increased service demand, overemphasizing it at the expense of renewal leads to a worsening infrastructure renewal deficit.

5.1.1.1 The Growing Renewal Deficit and its Impact

The City's infrastructure, including roads, bridges, transit systems and public buildings, requires ongoing renewal to maintain functionality and safety. When these assets are not adequately maintained or replaced at the end of their life cycle, they deteriorate, leading to higher long-term maintenance costs, increased risk of infrastructure failures, reduced service quality, safety concerns and potential economic and social disruptions. Adequate

renewal funding is necessary for proactive refurbishment and replacement of City assets to reduce negative impacts to service levels.

When the City's infrastructure renewal requirements are not met with sufficient funding levels, it's referred to as a renewal deficit. A persistent renewal deficit means the City is not keeping up with maintaining and replacing aging infrastructure. This can result in the deterioration of assets that need costly emergency repairs instead of cost-effective planned upgrades. This leads to inefficiencies in how assets are managed and puts extra pressure on both the City's operating and capital budgets. An overemphasis on building new infrastructure while underfunding renewal can worsen this problem, growing the overall renewal deficit. This can lead to:

- **Deteriorating public infrastructure:** If renewal needs are insufficiently funded, it will result in the deterioration of City infrastructure. Examples include the deterioration of roadway, sidewalk and active transportation infrastructure.
- **Erosion of service levels:** As older infrastructure continues to age without reinvestment, residents experience reduced service levels, safety concerns and increased service disruptions. Examples include increased City vehicle downtime (e.g. buses, mowers, snow plows and waste collection vehicles), and more frequent unscheduled maintenance and repairs that impact City service levels.
- **Funding pressures on future generations:** A growing renewal backlog compounds financial pressures on future generations. Over time, a growing renewal deficit forces future Councils to make difficult budgetary decisions, potentially leading to drastic service reductions or significant tax increases.

Best practice in asset renewal emphasizes predictable and sustainable levels of ongoing investment to avoid sharp peaks and valleys in funding requirements and to align with the City's operational capacity to commission and decommission assets. In contrast, uneven renewal cycles create heightened budget pressures when large cohorts of assets reach the end of their useful life and introduce operational challenges in managing and delivering renewal activities at scale.

5.1.1.2 The Financial Pressure of an Imbalanced Renewal and Growth Strategy

When there are capital funding constraints, prioritizing growth capital can divert limited funds away from infrastructure maintenance, resulting in existing assets deteriorating. This imbalance creates a cycle of compounding financial pressures in several ways:

- **Expanding infrastructure inventory:** New infrastructure expands the City's asset inventory, which increases future renewal obligations. Without corresponding renewal funding, the future burden on the city's renewal program grows significantly.
- **Deferred maintenance costs:** Delaying renewal results in exponential cost increases, as deteriorating infrastructure becomes more expensive to repair or replace and can require early replacement.
- **Increased operating costs:** Aging infrastructure leads to higher day-to-day operating and maintenance costs, reducing available funds for other municipal priorities.
- **Reduced long-term financial sustainability:** A municipality that continually allocates limited resources to growth projects may find itself unable to afford

necessary renewal investments in the future, leading to service degradation and higher tax burdens on residents.

The City does not have enough funding to meet all its infrastructure needs; as a result, every dollar taken from renewal and allocated to growth has a compounding impact on growing the renewal deficit. Firstly, by not renewing the asset that requires it, which also increases future costs, and secondly, by adding to the asset inventory, which increases the renewal requirements in the future.

5.2 GROWTH AND TRANSFORMATIONAL PROJECTS

Edmonton is a growing city, both in population and geographic footprint. With this expansion, some growth projects are necessary to provide access to basic infrastructure. Others may allow the City to offer new services, expand the delivery of existing services or otherwise transform Edmonton for the benefit of residents to deliver on the City's strategic plans. Large-scale projects such as LRT expansion, freeway expansion, and building new recreation centres or other facilities typically extend over multiple budget cycles and often require consistent municipal contributions to leverage matching funds from other orders of government.

5.2.1 Investing in Growth Capital Projects

Over the past 10 years (2016-2025), the City has invested approximately \$11.6 billion on growth related capital projects.

As outlined in Table 7, in the current 2023-2026 capital budget cycle, the total budget allocated to growth capital priorities is \$7.8 billion. In contrast, the total budget allocated to infrastructure renewal is \$1.3 billion. Between 2027 and 2030, an additional \$1.7 billion is already budgeted (planned) for growth projects, primarily continuing investments in the LRT network, new recreation centres and the new transit bus garage. All of these estimates include carryforward from any unfinished projects that were carried over from previous years.

Table 7: Capital Spending from Previous Cycle (2023-2026)

Approved Projects (\$millions)	2023	% of Total	2024	% of Total	2025*	% of Total	2026*	% of Total	Total 2023-2026 (4 Years)
Growth	1,111	79%	1,396	85%	3,471	87%	1,895	87%	7,873
Renewal	294	21%	247	15%	525	13%	277	13%	1,343
Total Projects	1,405		1,643		3,997		2,173		9,217

*2025 and 2026 Budget

5.2.1.1 Transformational Projects

Transformational projects are major projects that reshape the landscape of a city. These can involve creating a new asset or in some cases re-purposing an asset into something unique or groundbreaking. These projects are tightly integrated with Council's overall strategic planning process. Based on approved funding and funding from other orders of government, the next five years will see a number of new projects, including the new Lewis Farms Community Recreation Centre and Library, Coronation Park Sports and Recreation Centre, Valley Line West LRT, Capital Line South LRT extension and the Yellowhead Trail Freeway Conversion. Major transformational growth projects are listed in Table 8, including

estimated operational year and delivery cost.

Table 8: Major Transformational Growth Projects

Major Growth Projects	Operational Year*	Total Project Cost (\$millions)
50th Street CP Railway Grade Separation	2026	181
Coronation Park Sports and Recreation Centre	2026	153
Yellowhead Trail Freeway Conversion	2020-2028	1,089
Lewis Farms Community Recreation Centre and Library	2028	309
Valley Line West LRT: Downtown to Lewis Farms**	2028	2,607
Terwillegar Drive Expressway Upgrades	2023-2029	327
Capital Line South LRT: Century Park to Ellerslie Rd**	2029	1,377
New Transit Bus Garage	2031 (estimate)	740
Total		6,783

*Assumes all phases of projects open in final year of planned construction

**Years shown are target construction completion dates that will be followed by testing and commissioning prior to commencing service

There are two main ways that the City invests in capital growth:

- investments in growth components when renewing existing assets, and
- investments in new assets.

5.2.1.2 Growth Components of Renewal

Growth components are added to renewal projects in order to improve the type of service and functionality of the asset, and enable the City to meet new policy criteria and public expectations since the original asset was first built. Adding growth components during renewal work creates cost efficiencies compared to doing renewal and growth at separate times.

Under the City's Risk-based Infrastructure Management System (RIMS) ideal scenario outlined in section 5.3, growth components added to the base renewal costs would range from zero per cent to 30 per cent, depending on the specific asset class. The ideal renewal scenario would include \$1.8 billion of growth over the 10-year CIO period (Table 9).

Table 9: Growth Component of Renewal Ideal Scenario

(\$millions)	2027	2028	2029	2030	Total 2027-2030 (4 Years)	Total 2031- 2036 (6 Years)	Total 2027-2036 (10 Years)
Growth Component of Renewal	111	104	130	149	494	1,301	1,795

The amount of growth funding required for the renewal program has increased over time, in part due to the number of new policies, bylaws, codes and other requirements that were not in place when the original assets were built. These enhanced capital requirements are driven by the City's strategic goals, as per the City Plan, and are part of the City's overall effort to modernize the City's infrastructure and improve quality of life for Edmontonians. Examples of Council policies that may escalate capital requirements include, but are not limited to:

- Energy Transition Strategy and C627A Climate Resilience Policy
- C602A Accessibility for People with Disabilities Policy
- C573B Complete Streets Policy
- C588 Winter Design Policy and Winter Design Guidelines
- C544 Active Transportation Policy
- C594 Open Space Policy
- C595A Neighbourhood Renewal Program Policy
- C593A Public Engagement Policy
- C556B Sustainable Procurement Policy
- C512 Environmental Policy (ENVISO)
- Bylaw 20673 Edmonton Design Committee

5.2.1.3 Investments in New Assets

Investments in new assets are different from growth components in renewal, in that they are not tied to any renewal work being undertaken. They result in a 100 per cent new asset to the City's overall inventory.

As outlined in the June 10, 2025 report FCS02696 - Prioritization of Renewal in 2027-2030 Capital Budget, renewal will be prioritized over growth in the upcoming budget cycle, with new growth projects subject to more focused and disciplined criteria.

To direct limited financial resources to areas of highest need and impact, the City will consider growth projects for the 2027-2030 budget in alignment with corporate priorities. These include:

- Legislatively mandated growth projects: those required by federal, provincial or regulatory obligations.
- Safety-driven growth projects: initiatives necessary to address critical public or operational safety risks.
- Externally funded growth projects that show significant benefit to the overall prosperity of the City: projects that leverage or are contingent on funding contributions from other orders of government or third party partners, and show significant benefit to the overall prosperity of the City, as demonstrated by their impact on these areas of focus: Advancing Safety and Security, Economic Development, Growth Planning, Service Delivery, Supporting Financial Sustainability.

This approach reflects a broader fiscal strategy for the City's capital investment portfolio, which balances continued preparation for sustainable growth with protecting the value and functionality of existing infrastructure.

5.2.2 Total Cost of Ownership of Growth Projects

As part of the City's strategy to improve its fiscal resilience and strengthen long-term financial sustainability, Total Cost of Ownership (TCO) is being integrated into the capital planning process. TCO goes beyond the initial cost of constructing new infrastructure and accounts for an asset's full life-cycle costs, from planning and design through construction, operations, maintenance, renewal and eventual decommissioning or disposal. For example, a new road, LRT line, recreation centre, fire station or IT infrastructure not only carries the upfront capital cost but also requires ongoing staffing, utilities, maintenance, marketing to

and/or inform interested-parties, as well as eventual renewal to ensure it remains in a safe and functional condition throughout its lifecycle.

By embedding TCO analysis into decision-making, the City aims to:

- Develop a consistent methodology and processes for estimating and monitoring the Operating Impact of Capital (OIC) to support predictable and transparent budget planning.
- Improve business case development so that OIC, as well as other life-cycle costs (design, construction, maintenance, renewal and disposal), are captured and presented early in the decision-making process.
- Promote sustainable growth by balancing investment in new infrastructure with the City's ability to operate and renew existing assets, reducing the risk of infrastructure renewal deficits over time.
- Enable informed Council decisions by clearly presenting the financial implications of growth projects.

Phased implementation will be incorporated into the 2027-2030 budget development, with emphasis on the operating impacts of capital. Over time, the City is working to create a universal, city-wide approach to capturing all costs associated with asset ownership. This includes standardizing how OICs are calculated, when they are presented, and how renewal and disposal costs are forecasted and integrated into the City's long-term financial plans. Adopting a TCO approach improves the City's ability to plan for the future, mitigate fiscal risks and supports growth that contributes to the City's financial sustainability. Infrastructure decisions made today will have lasting impacts on operating budgets, tax rates and service levels for decades to come. The TCO project has the potential to improve the City's fiscal position, however, to achieve success it must be paired with discipline in the budget approval process.

5.3 THE CITY'S APPROACH TO ASSET MANAGEMENT

The TCO approach will support the City's ability to plan for the lifetime costs of future assets, but a strategic approach and efficient allocation of the City's limited renewal funding is needed to optimize the lifespan and service capacity of the existing asset inventory. The City's approach to asset management is to build an effective, transparent, data-driven system that connects asset investment to strategic goals and service-level outcomes. Asset management is a service of continual improvement. Administration works to find better ways to manage its assets, the data regarding its assets, and the decision making processes for the management of its assets throughout all phases of the asset lifecycle.

The City has developed nationally recognized asset-management solutions such as evaluation tools and leading-edge models to determine long-term infrastructure investment strategies—for example, the City's Risk-based Infrastructure Management System (RIMS). The City has also integrated corporate asset management and capital budgeting, ensuring a strong line of sight to invest in municipal assets at the right time and place to continue supporting the services that citizens enjoy. The October 30, 2024 Integrated Infrastructure Services report IIS02683 updated City Policy C598A - Asset Management Policy and the associated Strategic Infrastructure Asset Management Plan. With these updates, the City is improving infrastructure asset management by updating asset management tools and training; developing better metrics, service levels and processes for asset investment and

divestment decisions; and continuing to integrate asset management planning into service level conversations.

To enable appropriate asset management decisions, it is imperative that the portfolio of assets is managed within a broader service delivery framework that encompasses all of the City's services. The practice of asset management at the City is guided by the following principles laid out in Council Policy C598A:

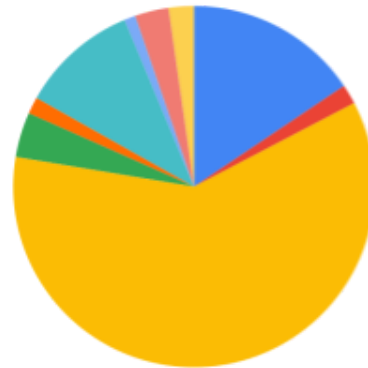
- **Service focused:** Assets are to be managed to meet service needs, and those service needs need to be clearly defined.
- **Sustainability oriented:** Assets are to be managed in a financially, environmentally and socially responsible manner.
- **Whole lifecycle decision making:** Assets are to be managed holistically across their entire lifecycle (acquisition, operation, maintenance, renewal, replacement and divestment).
- **Integrated:** Service and asset decisions are to be made in an integrated manner.

5.3.1 Asset Inventory

The City of Edmonton, as of year end 2024, had a total asset replacement value of \$39.8 billion, as seen in Figure 4, which is an increase of approximately \$4 billion from the last reported inventory from year end 2022. The increase in value is largely due to new growth additions, inflationary adjustments and continual improvement in asset data reporting. Data for this reporting period has been organized both by asset portfolio, and now by corporate programs, helping to better delineate the investments required for each of the services provided by the City.

Figure 4: Asset Replacement Value Distribution by Corporate Program

Corporate Program	Replacement Value (billions)	% of Total
City of Edmonton Total	\$39.8	
Environmental Protection	\$6.2	15.6%
Environmental Stewardship	\$0.7	1.8%
Movement of People & Goods	\$24.0	60.3%
Project & Asset Management	\$1.6	4.0%
Public Safety	\$0.6	1.5%
Recreation & Culture	\$4.2	10.6%
Social Support	\$0.4	1.0%
Various Programs	\$1.2	3.0%
Boards and Commissions	\$0.9	2.3%



Asset condition is demonstrated using the five-point rating system (Very good-A, Good-B, Fair-C, Poor-D, Very Poor-F). The physical condition of an asset is an assessment made at a specific moment in time. While not the only metric used, the most common indicator of the effectiveness of the City's renewal programs is the percentage of assets in poor and very poor condition. This measure has been used since the early 2000s and has ranged from as

high as 16 per cent in 2011 to as low as nine per cent in 2020. As at the end of 2024, the percentage of assets in poor and very poor condition is reported at 10.3 per cent, which is trending upward from the low of 2020.

When examining the City's asset inventory on the whole, there are some areas with a greater proportion of assets in lower condition, particularly within the facilities and transit portfolios, where there are large quantities of assets in fair condition. These assets take a long time to address deterioration, either through construction or purchasing new fleet assets such as buses and light rail vehicles. Administration will need to plan for considerable renewal investment in these assets within the next 10-year period to prevent service delivery disruption.

Additional details about the inventory can be found in the January 21, 2026 report, IIS03717 2025 Infrastructure State and Condition.

5.3.2 Determining Renewal Needs

Renewal projects focus on making the most of existing capital assets. The process of deciding what to fund and to what degree in the renewal framework is achieved through a customized assessment methodology—the Risk-based Infrastructure Management System (RIMS)—which the City developed in-house. Investing in renewal begins with a comprehensive understanding of the nature, scope and state of all City assets.

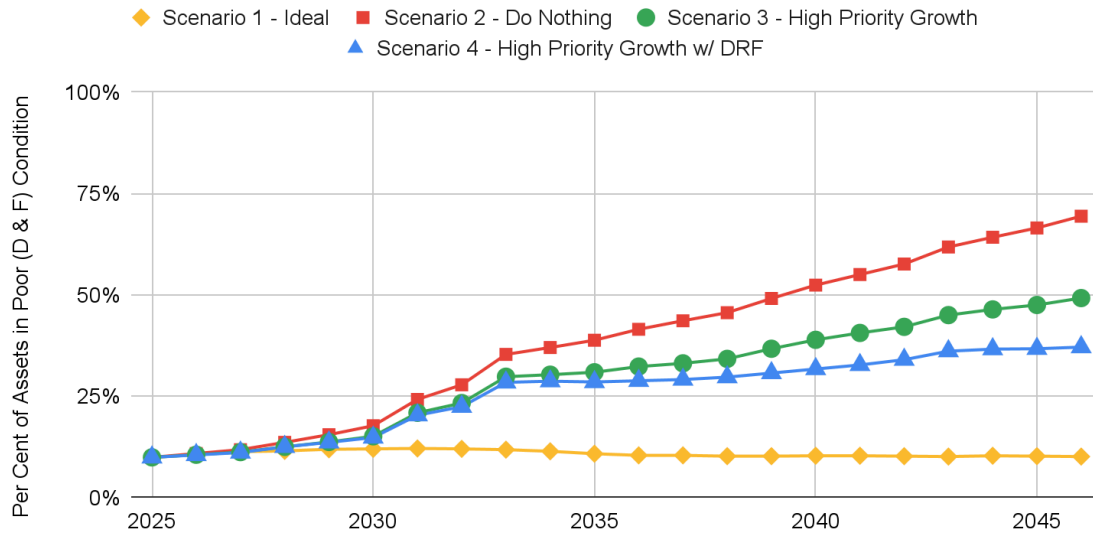
The RIMS model is used to identify the high-level renewal needs of the City's assets, allowing for a more targeted allocation of renewal funds. This means prioritizing needs across more than \$39.8 billion of assets and directing available capital dollars to the highest priorities.

A standardized rating system is used to routinely evaluate and prioritize existing infrastructure assets based on physical condition and impact to service delivery. RIMS uses an asset's current physical condition, target physical condition, renewal investment options/costs, expected life cycle deterioration curve and asset level of importance to model the effect of different investment options and their timing throughout the asset's life. Ideally, the physical condition of any asset will fall within an acceptable tolerance range or standard. Below this tolerance range, where further deterioration of the physical condition is unacceptable, differs for every asset. The physical standard is dependent on the type of service the asset is providing, the risk it exposes the service to if it fails and the best combination of investment and performance to maximize the life of the asset at a minimized cost. In other words, when deciding what to renew, the City considers a combination of the condition of an asset and how important it is to the service it supports.

Once the budget is allocated, various systems and processes are used to determine and prioritize renewal spending on individual assets. These systems can include additional analysis such as in the bridge or roadway asset classes, or more commonly, multi-criteria evaluation techniques that incorporate a combination of risk analysis, maintenance programs, operational feedback and physical condition.

To demonstrate the City's renewal requirements using the RIMS model, four scenarios are outlined below that illustrate the extent of asset conditions based on the amount of unconstrained funding available. Figure 5 shows a comparison of the condition outputs of all four scenarios, represented as a percentage of assets in poor and very poor condition.

Figure 5: City Wide Condition Output Scenarios



5.3.2.1 Scenario 1: Ideal Renewal Investment

RIMS was applied to City infrastructure assets and modelled over a 30-year period to predict the optimal funding to maintain assets in a good state of repair. The model was set to determine the optimized annual investment required to bring all City assets to their target physical performance levels within a 10-year period. The RIMS model determined a 10-year renewal investment of approximately \$14.5 billion (Table 10). Under the ideal scenario, approximately 10 per cent of assets are anticipated to be in poor (D) and very poor (F) condition at any given time.

When including the estimated \$1.8 billion for complementary and opportunistic growth investments made on renewal projects (discussed in section 5.2), along with an additional estimated \$1.3 billion required for critical bridge renewal, the total 10 year investment need increases to \$17.6 billion (Table 10). Several bridge assets in the City's inventory will require major renewal and refurbishment toward the latter-half of the 2027-2036 outlook period. Failing to renew these assets will result in significant reductions to service levels, and will compromise parts of the City's transportation network. High level estimates for this bridge renewal requirements are approximately \$1.3 billion.

Table 10 shows that of the total \$17.6 billion dollar investment required to reach the ideal investment level, \$2.0 billion has dedicated constrained funding sources (the Neighbourhood Renewal Reserve and the Fleet Vehicle Replacement Reserve), and \$1.3 billion is being addressed through long term debt funding (planned debt funded renewal for major critical renewal projects).¹¹ This leaves \$14.3 billion in additional funding required to reach the ideal investment level. Historically, the funding for this remaining investment has mostly come from the City's unconstrained funding sources.

¹¹ The \$1.3 billion of tax-supported debt has not been approved, but is being factored into this analysis, as these are the needed funds for major bridge renewal and refurbishment that are critical renewal projects, and no other funding source has been identified.

Table 10: Renewal Program Ideal Investment (Inflation Adjusted)

Ideal Investment in Renewal Program (\$millions)	2027	2028	2029	2030	Total 2027-2030 (4 years)	Total 2031-2036 (6 years)	Total 2026-2036 (10 years)
Ideal Investment - Renewal Portion	1,090	967	1,033	1,169	4,259	10,289	14,548
Ideal Investment - Growth Portion	111	104	130	149	494	1,301	1,795
Critical Bridge Renewal						1,300	1,300
Total Ideal Investment	1,202	1,071	1,163	1,318	4,753	12,890	17,643
Less:							
Constrained Renewal Funding	(199)	(199)	(200)	(201)	(799)	(1,223)	(2,021)
Debt Funded Renewal ¹						(1,300)	(1,300)
Total Additional Funding Required for Total Ideal Investment	1,003	872	962	1,117	3,954	10,367	14,322

¹ Critical Renewal on Bridge infrastructure

5.2.2.2 Scenario 2: Do Nothing

The Do Nothing scenario depicts an outcome if the City did not invest in the renewal of its assets at all. While not a realistic scenario, it helps to demonstrate the importance of continually investing in the renewal of the City's assets. Without this investment, the state of the City's assets will degrade quickly, impacting its ability to deliver services, increase safety risks, increase maintenance cost and put a great share of assets in very poor condition. Under this scenario, by 2036, approximately 40 per cent of assets could be in poor (D) and very poor (F) condition, and this number could continue to grow steadily, reaching 70 per cent by 2046.

5.3.2.3 Scenario 3: High Priority Growth

This scenario depicts the projected condition outcome based on all available unconstrained capital being applied to renewal after taking out an estimated amount reserved for priority growth projects such as:

- mandated growth projects (including school sites),
- funding for safety, and
- growth projects with matching funds.

This scenario considers constrained funding from sources such as the Neighbourhood Renewal Reserve and the Fleet Vehicle Replacement Reserve, and incorporates planned debt funded renewal for major critical renewal projects slated to take place within the next 20 years.

In this scenario, assets funded with constrained funding are funded at 100 per cent of the ideal renewal investment amount identified in Scenario 1, regardless of their risk profile. River crossing and vehicular bridge assets, which are highly critical, impact a vast number of services and take many years to rehabilitate. As such, these are funded at 100 per cent of the ideal investment. The remaining assets are funded to fit within the unconstrained funding remaining to renewal. With the significant gap between the requirements of

Scenario 1 and the projected available funding, this leaves an estimated 30 per cent of the ideal renewal requirements to the remaining assets. With the funding levels set for each of the assets, RIMS is used to project the resulting condition based on what can be renewed within the funding provided. Under this scenario, by 2036, approximately 30 per cent of assets could be in poor (D) and very poor (F) condition, and this number could continue to grow rapidly, reaching 50 per cent by 2046. As a growing proportion of assets reach poor and very poor condition, this increases unplanned maintenance costs and leads to service level reduction.

5.3.2.4 Scenario 4: High Priority Growth with Dedicated Renewal Fund

To address the funding challenges of the City's renewal program, Council approved the Dedicated Renewal Fund (DRF) in March 2025. The DRF is a dedicated tax levy for the Renewal program, with funding being directed after two separate strategies have been completed, the Financial Stabilization Reserve reaching its minimum balance, and the replenishment of Pay-As-You-Go funding which was reduced in the Fall 2024 Supplemental Operating Budget Adjustment process.

The DRF is designed to supplement existing renewal funding from the corporate pool. This reallocation will free up corporate pool funds for additional renewal work, ultimately narrowing the City's overall renewal funding gap. The DRF will finance the renewal of all City-owned assets not already covered by other dedicated funding sources, such as the Neighbourhood Renewal Reserve or Fleet Reserve.

This scenario builds upon Scenario 3, using the same funding allocations from constrained and unconstrained funding sources, and the same distribution of that funding to the various assets. However, with the addition of the DRF, this funding is strategically applied to the most critical and impactful assets to service delivery. As the impact to service delivery can change over time, the type of asset to be invested in could also change over time. For the purpose of this scenario, the additional DRF funding will be applied to facilities, transit and arterial roads portfolios for illustrative purposes.

Under this scenario, by 2036, 28 per cent of assets could be in poor (D) and very poor (F) condition, and this number could continue to grow rapidly, reaching 37 per cent by 2046.

6. OPTIONS TO CLOSE THE FUNDING GAP & REDISTRIBUTE EXISTING FUNDING

6.1 RENEWAL FUNDING GAP

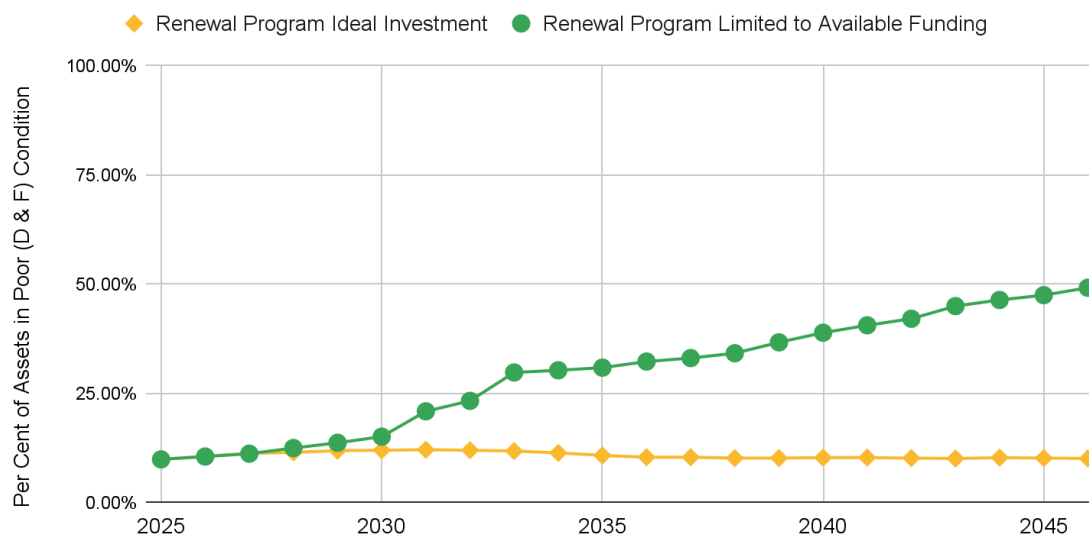
As stated in Section 4, there is only a projected total of \$5.6 billion in available unconstrained funding over the 2027-2036 period. With a 10 year additional funding required for Ideal Investment of \$14.3 billion (net of constrained funded items), If every unconstrained dollar available was applied to the renewal program ideal investment (leaving no funding available for growth investments in new assets), the ideal renewal investment level would still be underfunded by \$8.7 billion. The outcome of this would be the 10 year ideal investment level being funded at a level of 39 per cent of its total need. This funding level is what is referred to as the unconstrained ideal investment.

The large gap between the ideal renewal investment and funding available results from an increase in renewal costs and a decrease in available unconstrained funding compared to previous budget cycles. Increased renewal costs are due to an increase in the City's overall asset pool, higher costs and price escalations to carry out renewal work, timing of large and high cost projects, and the cumulative impact of funding less than the ideal investment level in previous budget cycles (partly due to direct funding available for growth, and partly due to funding cuts). The decrease in unconstrained funding available is primarily due to the funding reductions to the LGFF grant the City receives from the provincial government.

As stated above, even under a scenario where all unconstrained funding is allocated toward renewal, the City would only achieve 39 per cent of the ideal investment. However, this does not paint a complete picture; if the City commits to reserving an amount for priority growth projects, such as for safety, mandated projects and some matching funds, as outlined in Scenario 3 in Section 5.3, it would only achieve 30 per cent of the ideal investment. Modeling was performed to determine the impact of this scenario on the percentage of assets in poor and very poor (D and F) condition.

Figure 6 illustrates how asset conditions deteriorate rapidly over the 20-year time frame under this scenario. Generally, the longer the required renewal of municipal assets is deferred, the more deterioration impacts are experienced and the more expensive it becomes to bring these assets back to an acceptable condition. The effect on per cent of D and F shown in Figure 6 should be considered a worst-case scenario. There are limitations to the modelling employed to depict alternate funding scenarios that do not contemplate mitigations that could be used, depending on asset type. Figure 6 shows that by meeting only 30 per cent of the ideal renewal investment need, approximately 50 per cent of City assets will deteriorate to poor and very poor (D and F) condition by 2046.

Figure 6: Projected Asset Deterioration: Ideal Investment (Scenario 1) vs. Available Funding (Scenario 3)



This high-level overview illustrates how decisions made today will impact the state and condition of infrastructure assets in the future. Knowing the overall state of assets and understanding the consequences of insufficient renewal investment provides information for decision-makers to make strategic decisions this budget cycle that can have a significant impact on the City's long-term financial sustainability, asset condition and service delivery in the future. Effective renewal extends the life of the assets and allows them to perform as they are intended, saving the City money over the long-term.

The City's projected funding available, and renewal and priority growth needs over the 2027-2036 period have been explored earlier in this outlook. Table 11 combines these all together to demonstrate that prior to consideration of additional capital initiatives in the next 10 years, there is a projected \$10 billion funding shortfall.

Table 11: Total Unconstrained Funding Shortfall

(\$millions)	Total 2027-2030 (4 Years)	Total 2031-2036 (6 Years)	Total 2027-2036 (10 Years)
Funding Available (Table 3)	1,833	3,877	5,710
Less:			
Pre-Committed	(139)		(139)
Total Additional Funding Required for Ideal Renewal Investment ¹	(3,954)	(10,367)	(14,322)
Corporate Priority Growth Projects ²	(502)	(754)	(1,256)
Total Unconstrained Funding Shortfall	(2,763)	(7,244)	(10,007)

¹ Includes both renewal and growth add-on components to RIMS Ideal scenario, net of constrained-funded items

² Estimated priority growth projects-Safety/Mandated, School Sites Development, Matching External Funds

Some of the shortfall is expected to be covered by additional federal constrained funding that becomes available over the 2027-2036 period if approved including the Canada Public Transit Fund. However, constrained funding is typically tied to growth investment, meaning

that there will still be a significant funding gap primarily related to the City's renewal program.

6.2 STRATEGIES TO ADDRESS FUNDING GAP

The March 5, 2025 Financial and Corporate Services report, FCS02746 Fiscal Gap Strategies Work Plan provided eleven strategic bodies of works to help narrow the City's fiscal gap. Two of the strategic bodies of work are aimed at determining the appropriate allocation between renewal and growth, and narrowing the City's renewal deficit. The CIO presents the following options available to address portion of the renewal funding gap:

- Dedicated Renewal Fund (DRF) Enhancement
- Divesting City Owned Assets - Down Sizing City Inventory
- Use of Additional Tax Supported Debt

6.2.1 *Dedicated Renewal Fund Enhancement*

The DRF provides predictable, reliable, and growing funding for the Renewal Program, beginning with \$14.3 million in 2029, and growing to \$278 million on an ongoing basis by 2036, as shown in Table 12. Over the next four-year budget cycle (2027-2030), the DRF allocates relatively small amounts towards renewal as the development of the fund is still in its initial years. However, these annual ongoing amounts grow significantly from 2031 to 2036.

While the DRF will address part of the renewal gap, it will not be sufficient to close the gap entirely. The time it takes to accumulate enough funds means the renewal shortfall will persist for several years, as shown in Scenario 4 (Standard Growth with DRF). Without additional funding mechanisms, the gap will continue to widen, increasing pressure to fund urgent renewal and maintenance needs. If no further strategies are implemented to address failing and aging infrastructure proactively, it is projected that 37 per cent or more of the City's assets will fall into poor or very poor condition within the next 20 years (Figure 5).

As a strategy to further narrow the renewal gap, the Operating Investment Outlook (OIO) proposes an enhancement to the DRF, which adds a 0.5 per cent annual tax increase on top of the previously approved DRF, beginning in 2029. Table 12 demonstrates the funding impact of applying a 0.5 per cent of additional dedicated tax levy beginning in 2029 to the previously approved DRF. Should the DRF Enhancement be advanced, it would generate an additional \$140 million annually ongoing by 2036, for a total ongoing DRF allocation to the Renewal Program of \$418 million annually ongoing by 2036. Over the 10-year CIO timeframe, the DRF and DRF Enhancement would provide a cumulative \$1.76 billion of renewal funding.

Table 12 - Dedicated Tax Levy Example

\$ millions	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	Total Cumulative Renewal Investment
Approved Tax Levy(%)	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	7.75%
Resulting DRF \$			14	63	97	122	158	196	236	278	1,166
With DRF Enhancement Tax Levy(%)	0.50%	0.50%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%	1.50%	11.75%
Resulting DRF \$			29	92	143	185	239	295	355	418	1,756

6.2.2 Divesting City Owned Assets - Down Sizing City Inventory

City asset management objectives include that assets are planned, acquired, used, decommissioned and divested of in a manner that supports the delivery of City programs and services, while optimizing value to the City. As the City incurs costs for all assets it owns and operates, the City regularly reviews what assets are required, in alignment with necessary program and/or service needs, to inform decisions on repurposing, renewal or disposition.

Council Policy C598A Asset Management and the Strategic Infrastructure Management Plan state that assets are to be managed according to service needs, and those service needs must be clearly defined. Any decisions about service provision or assets themselves, must consider the impact to both. This can be difficult, as some service levels are difficult to quantify. As the City continues to evolve this process for all lines of business, additional opportunities will emerge to effectively down-size the City's asset inventory in a transparent manner that maximizes the overall utility of the asset base.

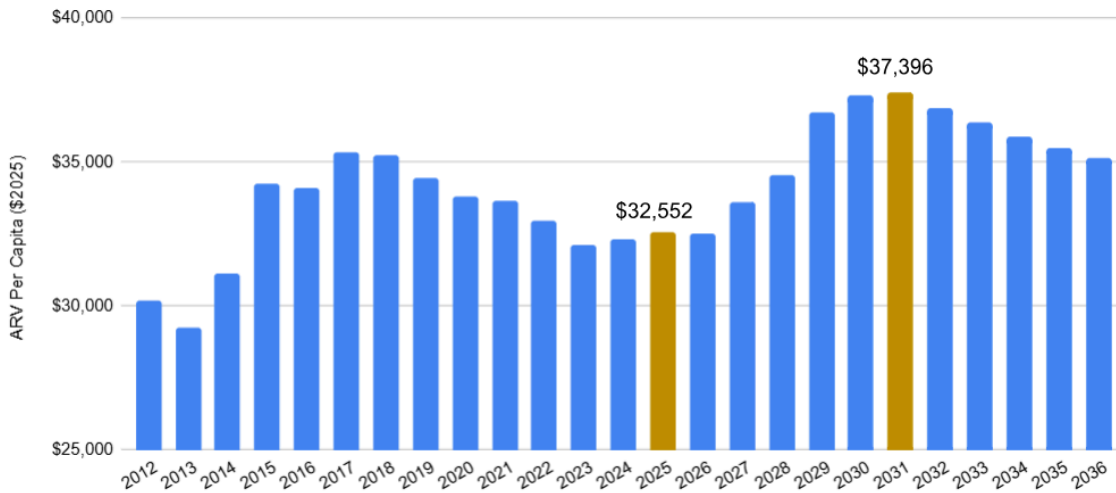
In order to divest city assets to align with service delivery objectives, the City completes regular reviews of properties that may be surplus to municipal requirements and makes a determination on how and when to dispose of those. A challenge with this process is that the City does not have an existing demolition-specific budget to address assets in very poor condition.

6.2.2.1 Capital Asset Growth Management

In the previous 10 years, the City has embarked upon an ambitious capital growth program, including the buildout of several large-scale generational capital assets intended to benefit Edmontonians for decades to come, such as the City's LRT network and the Yellowhead Trail Freeway Conversion. As of year end 2025, the City has a total asset replacement value of \$39.8 billion, as discussed in section 5.3.1. As these generational projects enter operational service, Edmonton's asset base will continue to expand significantly. This expansive capital growth program has meant that the City's infrastructure asset inventory has grown in real terms, on an inflation-adjusted per-capita basis. In 2025, the inflation-adjusted annual replacement value of \$39.8 billion in all tax-supported City infrastructure assets translates into \$32,552 per capita, and is projected to reach \$37,396 in 2031, a 15 per cent increase over 2025 levels (Figure 7).

The City's large and growing inventory of capital assets means it has extensive renewal responsibilities to keep all its infrastructure in working order. As the City's infrastructure asset inventory grows, it further inflates the annual renewal requirement. As part of the Fiscal Gap Work Plan, the City is currently developing strategies aimed at managing the accumulation of growth assets in a financially sustainable way.

Figure 7: Asset Replacement Value (ARV) Per Capita



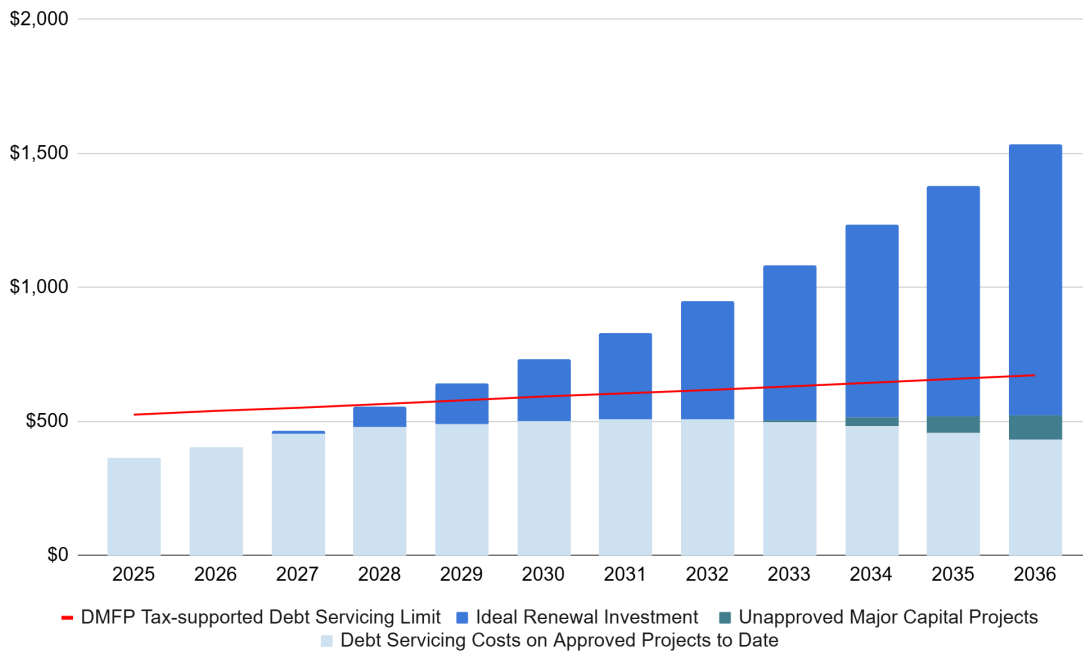
6.2.3 Use of Additional Tax-Supported Debt

As discussed in Section 4.3, under the 18 per cent tax-supported debt limit, the City has the capacity to borrow \$1.29 billion of new tax-supported debt in 2027-2030 and \$3.39 billion total over the 10-year 2027-2036 period.

Figure 8 presents the scenario of if the City used new tax-supported debt to fully fund the ideal renewal investment shortfall (discussed in Section 5), as well as to deliver major critical renewal projects (critical bridge infrastructure renewal).

As illustrated in Figure 8, the City would not have enough debt-servicing room under internal limits to fully fund all renewal initiatives with tax-supported debt. It is important to highlight that this scenario is for illustrative purposes only, to demonstrate the magnitude of the renewal gap compared to debt-servicing room; not every renewal project will necessarily meet the requirements of Council Policy C203D (Debt Management Fiscal Policy). While the policy permits the use of debt for major rehabilitation of existing assets as a short-term strategy to eliminate a significant infrastructure renewal backlog, applying this approach would also produce impacts on the operating budget once debt servicing payments need to be made. Furthermore, maximizing debt servicing room for renewal exclusively is not possible, as the City must remain prepared to provide matching funds if higher-order governments initiate new grant programs requiring municipal contributions.

Figure 8: Council Policy C203D Tax-Supported Debt Servicing Limit (\$ millions)



Using additional tax-supported debt has the potential to help narrow the City's large renewal gap, but the additional use of debt in 2027-2036 needs to be strategic and allow the City to access future grant programs from other orders of government, while also leaving room to respond to emerging issues. For example, under the Canada Permanent Transit Fund program, the City's submission through the Metro Region stream anticipates a significant municipal matching contribution, should the proposed project be approved. Preserving adequate debt room would enable the City to take advantage of these federally funded initiatives without exceeding internal debt servicing limits.

6.3 OPTIONS TO REDISTRIBUTE EXISTING RENEWAL FUNDING

The City has limited capital funding and a growing backlog of renewal needs. It is important to focus available funding on the most critical safety-related renewal priorities, such as the repair and replacement of bridges, as well as to focus limited funding on renewal priorities that are necessary to keep services running, such as replacing aging transit fleet vehicles. Both categories of assets are essential for goods and people movement, supporting access to jobs, and enabling day-to-day economic activity. If they are not properly maintained, the impacts would be immediate and serious, including safety risks, service disruptions, and broader economic and financial consequences that could affect goods and people movement throughout Edmonton. Limited available dollars must be strategically allocated to the highest priority renewal needs. One option to consider is temporarily redirecting a portion of existing funding for the Neighbourhood Renewal Program to enable funding the highest priority renewal needs while minimizing disruptions to current service levels. Should such a strategy be advanced, funding to the Neighbourhood Renewal Program could be restored once the DRF has sufficient annual renewal funding.

6.3.1 Redistribution of a Portion of Neighbourhood Renewal Program Funding to General Renewal

The Neighbourhood and Alley Renewal Programs have a combined \$174.4 million annual dedicated tax levy that is allocated for the renewal of roads, sidewalks and street lights in existing neighbourhoods, alleys and collector roadways. The renewal of these City infrastructure assets have guaranteed funding under these programs, ensuring they will be maintained at target asset condition levels and meet intended service-level outcomes. In contrast, the remainder of the City's infrastructure assets are subject to capital funding variability, where under intermittent, insufficient funding levels can result in assets that fall into disrepair, diminishing the intended service level they are meant to provide.

In the 2023-2026 budget cycle, most assets received 43.5 per cent of the budget required for renewal with the exception of bridges and those funded by the Fleet and Neighbourhood Renewal reserves. This funding level reflects what is referred to as the unconstrained Ideal investment. In the upcoming 2027-2030 budget cycle, based on unconstrained funding availability, the estimate is approximately 30.1 per cent as shown in Table 13. The reduction in percentage is mainly due to the fact that the City's ideal investment requirement has increased over time from \$2.6 billion to \$3.9 billion, as shown in Table 13. This substantial increase is attributed to several factors, including continuous improvement of asset data collection and asset management practices, inflation, and projected asset conditions due to the current state, which collectively increase the City's renewal needs.

Table 13 - Comparison of Ideal Investment vs Funded

(\$millions)	2023-2026		2027-2030 (Projected)	
	\$	% of Ideal Funded	\$	% of Ideal Funded
Total Ideal Investment*	3,575	54.4%	4,753	41.9%
Total Funded Investment	1,945		1,990	
Unconstrained Ideal Investment	2,625	43.5%	3,954	30.1%
Funded Unconstrained Investment	1,141		1,191	

*includes constrained component of renewal: Neighbourhood Renewal, Fleet Reserve and Bridges

As a strategy to address deteriorating assets under a financially constrained capital funding environment, Council could consider redistributing a portion of the Neighbourhood and Alley Renewal dedicated tax levy (\$174.4 million annually) to the general Renewal Program. This would direct limited funding to assets based on condition, risk and overall impact to services and the renewal gap. This could be done for a limited period, until the DRF has accumulated sufficient annual funding. This potential strategy would not lower the renewal gap, but rather shift funding from lower-risk profiles to address higher risks within the overall renewal program.

This strategy would have impacts on the Neighbourhood and Alley Renewal Programs and the associated assets. Any redistribution of funding in the 2027-2030 budget cycle would result in the delay or potential deferral of projects that were slated to begin construction to subsequent budget cycles. It would also result in additional operations and maintenance pressures, as a greater number of neighbourhoods would remain at lower condition levels than originally planned. Due to the significant volume of neighbourhood assets managed

through the Neighbourhood Renewal Program, funding reductions also have the potential to reduce the asset condition rating. Additional factors impacting the current program goals include the City's growth from the time the program was established in 2009 to today, resulting in an increase in asset inventory, the continual deterioration of assets, the variable costs of renewal due to market conditions, and no consideration in the program for inflationary adjustments.

Neighbourhood renewal work spans across budget cycles with funding of projects utilizing commitments into the next budget cycle, where required, to ensure continuity of the program. At this time, the program has precommitted funding of \$213.1 million to neighbourhood renewal projects in the 2027-2030 budget cycle, so the potential redistribution would need to consider these pre commitments.

This strategy would require an exception to City Policy C595A Neighbourhood Renewal Program and requires a non-statutory public hearing to be held prior to the policy being amended, exempted or revoked by City Council.

6.3.2 Allocation of Unconstrained Funding to Highest Priority Renewal Projects

Given that the City's total renewal requirement is in excess of its projected funding availability, the allocation of renewal funding will need to be made in the broader context of each asset's risk profile, as well as service level impacts of deteriorating asset condition and overall service level objectives. As part of the 2027-2030 budget development process, the City will examine all available unconstrained funding sources available for the Renewal Program, and prioritize allocations to the highest priority renewal needs.

6.4 COMPLEMENTARY BODIES OF WORK

There are several complementary bodies of work Administration is undertaking to keep the City's capital planning in alignment with its financial sustainability objectives.

- **Capital asset investment policy:** This policy will provide guidance on the financially sustainable management of capital assets, including a framework for prioritizing renewal before growth, while still maintaining flexibility for priority growth projects (i.e. those that maintain public safety, complementary growth on primarily renewal projects, and projects that are funded through federal or provincial government programs). This policy will also provide guidance on the financially sustainable way to grow the City's capital asset base. Administration plans to bring this policy forward in June 2026.
- **Financial sustainability framework and plan:** The September 10, 2025, Financial and Corporate Services report, FCS02994 presented the Edmonton Financial Sustainability Framework, which is designed to solidify Edmonton's financial sustainability in order to provide a stable foundation for future financial independence and ultimately leave a legacy for future generations. The framework balances the City's financial capacity with the aspirations of the community. The Financial Sustainability Plan is in development and together with the framework, it will provide the City with a comprehensive, disciplined and forward-looking approach to achieving fiscal health.

7. BUILDING THE 2027-2036 CAPITAL INVESTMENT OUTLOOK AND 2027-2030 CAPITAL BUDGET

7.1 CAPITAL PLANNING PRINCIPLES

The 10-year Capital Investment Outlook is developed by Administration to support Council in making strategic decisions about how best to allocate City resources, by helping them understand how today's decisions impact the future.

The first four years of the CIO will provide a foundation for the development of the proposed four-year capital budget (2027–2030), which will outline the City's immediate capital funding needs and priorities. Years five to 10 of the CIO (2031-2036) are provided as information, offering a longer-term view of Edmonton's infrastructure plan and providing continuity between planning cycles.

Similar to the 10-year CIO, the four-year capital budget supports the strategic direction of Council and will be developed based on the following key principles:

- Prioritize projects that deliver the greatest overall benefit to the City
- Use cash (PAYGO and grant funding) to fund ongoing projects like maintenance and renewal
- Use borrowing for major new projects that meet eligibility under the DMFP C203D
- Consider borrowing capacity as part of the funding strategy for renewal
- When debt is proposed, the funding source for the debt servicing is identified
- Fund utilities through utility rates
- Align capital investments to The City Plan, ConnectEdmonton vision and current areas of focus
- Optimize investment in existing municipal infrastructure to align asset conditions with service delivery needs
- Allocate resources to achieve an appropriate balance between the renewal of existing infrastructure and the demand for new infrastructure growth
- Identify and account for all future operating, maintenance and renewal costs associated with capital projects, and include those costs in future budgets as appropriate (Total Cost of Ownership)

7.1.1 Building the 2027-2030 Capital Budget

The 10-year CIO presents both the long-term infrastructure challenges and potential solutions for consideration. The key decision-making tool for Council in this process is the approval of the four-year capital budget.

The ability to execute growth and renewal capital projects is constrained by the amount of available capital funding and debt capacity. In order to maximize the efficiency of capital spending, it is critical to achieve as much certainty as possible around the timing, sources and amount of funding based on what is known and committed when developing the four-year capital budget.

For the 2023-2026 budget cycle, the total funding available for infrastructure investments was divided into three categories:

- **Constrained funding:** This funding, which made up 50 per cent of the 2023-2026 capital budget, is dedicated to specific types of infrastructure projects. It often comes from sources like grants from other government levels, contributions from developers and partners, or dedicated tax levies (e.g., the Neighbourhood Renewal Program).
- **Debt financing:** Guided by the DMFP C203D, debt financing accounted for approximately 30 per cent of the 2023-2026 capital budget. The use of debt financing is restricted to major long-term infrastructure, emerging needs and significant rehabilitation projects.
- **Unconstrained funding:** Representing approximately 20 per cent of the 2023-2026 capital budget, this portion is available for Council to allocate across various infrastructure needs at its discretion and without restrictions. The critical decisions for the proposed four-year capital budget centre on how to distribute this unconstrained pool of funding between renewal and priority growth projects.

For the 2027-2030 budget cycle, Administration's approach to allocating the unconstrained funding pool emphasizes fiscal sustainability while aligning with the City's strategic priorities, considering this is the most effective way to tackle the increasing renewal shortfall given the limited discretionary funding available.

The City's goal for asset management will continue to build an effective, transparent, data-driven system that connects capital asset investment with progress towards strategic goals and outcomes.

7.2 PRIORITIZATION

7.2.1 Growth Prioritization

In the previous two four-year budget cycles, Administration used a value management approach to identify and prioritize growth projects. This prioritization framework was referred to as the "Basic Project Attributes" in the 2023-2026 cycle, and "Operational Criteria" in the 2019-2022 cycle.

For the 2027-2030 budget cycle, Council approved the focus on decreasing the renewal funding gap.¹² This necessitated refining the previous prioritization framework, which resulted in limiting growth prioritization to the following criteria, referred to as the "Prioritized Project Attributes":

- Legislatively mandated growth projects: those required by federal, provincial or regulatory obligations.
- Safety-driven growth projects: initiatives necessary to address critical public or operational safety risks.
- Externally funded growth projects that show significant benefit to the overall prosperity of the City: projects that leverage or are contingent on funding contributions from other orders of government or third party partners, and show

¹² As stated in the June 10, 2025, Financial and Corporate Services report, FCS02696 - Prioritization of Renewal in 2027-2030 Capital Budget.

significant benefit to the overall prosperity of the City, as demonstrated by their impact on these areas of focus: Advancing Safety and Security, Economic Development, Growth Planning, Service Delivery, Supporting Financial Sustainability.

In the previous 2023-2026 budget cycle, Administration used similar criteria to limit growth to legislatively mandated and safety-driven projects in order to prioritize renewal. Despite that, approximately 70% of approved capital funding was ultimately allocated to growth, a result of constrained funding requirements for significant transformational projects. In the upcoming budget cycle, even allocating all unconstrained funding to renewal would only marginally impact the overall gap, which further emphasizes the need for discipline and a focused strategy to direct limited available funding toward closing the renewal gap.

7.2.2 Renewal Prioritization

Historically, renewal projects have been prioritized based on the RIMS asset management criteria. The RIMS model identifies an “ideal renewal investment” for each renewal project which is a combination of:

- renewal investment required to bring City assets to their target physical performance levels, and
- a growth investment component which addresses deficiencies in demand, capacity and functionality, ensuring assets align with approved strategies, policies, standards and public expectations.

For the 2027-2030 budget cycle, unconstrained funding is first directed toward assets whose failure would have significant impacts (e.g., bridges), which are fully funded to their ideal level. The remaining funding will prioritize critical (legislated or safety-related) renewal projects using the same criteria applied to growth projects. This strategic allocation provides each renewal profile with a percentage of its ideal investment, helping to mitigate the significant funding gap in the City's existing infrastructure.

7.2.3 Capital Infrastructure Plan Program

To improve infrastructure planning both in terms of capital growth and ongoing renewal to support fiscal sustainability, Administration has initiated development of the Capital Infrastructure Plan Program (CIPP). The CIPP intends to coordinate infrastructure planning and service levels to support a more proactive, integrated capital investment strategy.

The work of CIPP is to:

- Develop and maintain co-ordinated city-wide and district-level infrastructure plans;
- Support transparent and strategic project prioritization;
- Inform the 10-Year Capital Investment Outlook and the four-year capital budget cycle;
- Integrate planning across asset classes to support long-term service level delivery and assess infrastructure service levels relative to current and future community needs.

While early in development it will align infrastructure development and renewal with The City Plan, ensuring Edmonton's growth aspirations are balanced with financial and operational realities.

CIPP is a framework for addressing key investment questions that guide infrastructure investment:

- Where should we build?
- What should we renew?
- When should these investments be made?

Recommendations will be made through a lens that aligns Edmonton's asset inventory with long-term strategic goals, broader community objectives and sustainable service levels. CIPP will promote infrastructure investments that are financially viable, environmentally responsible and socially equitable. It is important to note that CIPP recommendations will be limited in the 2027-2030 budget as the program is in development but will support where data and analysis has been completed.

7.3 CONSIDERATIONS FOR THE 2027-2030 CAPITAL BUDGET

Following the presentation of the CIO, Council will have the opportunity to provide feedback and identify key areas for further consideration or refinement. Administration will then incorporate this input into the development of the proposed 2027-2030 Capital Budget, which will be formally presented to Council later in the year for deliberation and approval. As Council considers the development of the next four-year capital budget, it is important to highlight three asset categories that require special attention in the City's renewal program: transit rolling stock assets, facilities assets, and major bridge assets.

As discussed in the January 21, 2026, Integrated Infrastructure Services report, IIS03137 2025 Infrastructure State and Condition, the portfolio of transit rolling stock assets (buses and light rail vehicles) is rated at more than 50 per cent in Poor (D) and Very Poor (F) condition due in large part to the age of the assets. While an asset in poor condition is not inherently unsafe, it does present a higher likelihood of failure, which will in turn adversely affect the City's ability to maintain service levels and increase the maintenance costs of the assets. The City must take action to ensure adequate funding is provided to the renewal and replacement of transit fleet assets to ensure service delivery is not disrupted.

The 2025 Infrastructure State and Condition report also identifies that the City's Facilities portfolio currently has 60 per cent of assets in Fair (C) condition, with the risk that they will soon fall into Poor (D) condition within the next two budget cycles. The City also must take action to ensure adequate funding is provided to facilities assets to ensure service delivery is not disrupted.

There are bridge assets in the City's inventory that will require major renewal and refurbishment toward the latter-half of the 2027-2036 outlook period. Failing to renew these assets will result in significant reductions to service levels, and will compromise parts of the City's transportation network. While budget decisions may not be required in the 2027-2030 cycle, the City must reserve enough tax-supported debt room to ensure these assets can undergo the critical renewal and refurbishment needed to keep the transportation network functioning. This will require discipline in the budget approval process.

8. NEXT STEPS

The CIO is a foundational step in preparing for the development of the 2027-2030 Capital Budget. This 10-year forecast positions Council to better understand how decisions that are made in the next few years may affect the City's future financial position and service delivery goals. The CIO supports Council in short-term decision making through understanding how today's decisions will influence long-term capital requirements and resource allocation, with financial projections for the City's constrained and unconstrained funding and debt room, as well as expected grant funding opportunities. It is a valuable tool that can help serve as a roadmap for continued financial stability, both providing guidance for the upcoming budget cycle and supporting continuity into future budget cycles. However, some variation should be expected as the City's financial and economic reality evolves constantly.

Together with the department and branch budget presentations, which will be delivered in spring 2026, and quarterly financial updates, the CIO supports Council's understanding of the City's financial position and the relationship between the operating and capital budgets affecting day to day operations. The CIO also outlines financial challenges and opportunities, primarily in the context of the City's renewal gap. Reprioritizing the balance of renewal and growth, as well as the ongoing and potential strategies outlined to further reduce the gap, will inform the development of the upcoming four-year budget. Along with the results of extensive public engagement, this will help Council prioritize services and infrastructure for funding so that Edmonton remains a vibrant city with a thriving economy, safe and connected communities and a high quality of life where Edmontonians can live, work and play for decades to come.