

**Corporate Planning & Financial Services Report to
Executive Committee
2025 May 13**

**ISC: UNRESTRICTED
EC2025-0414**

Financial and Economic Update Year-End 2024 and First Quarter 2025

PURPOSE

Regular reporting on financial results is an essential part of good governance. This report provides an update on the progress made during 2024 and the first quarter of 2025 and completes the first quarter assessment of The City's 2025 year-end projected variances. The information is important for both accountability and as an input into the 2025 November Adjustments to the 2023 – 2026 Service Plans and Budgets.

PREVIOUS COUNCIL DIRECTION

On 2019 April 19 (PFC2019-0401), Council approved an updated Multi-Year Business Planning and Budgeting Policy (CFO004) directing Administration to report on The City's performance to the service plans and budgets, including any adjustments to them. Furthermore, on November 21, 2024, during the 2025 Mid-Cycle Adjustments deliberations, Council amended C2024-1097 requesting Administration to conduct quarterly assessments of projected year-end variances and allocate funds to the prioritized unfunded project list throughout the year.

RECOMMENDATION(S):

That the Executive Committee recommends that Council:

Receive the Financial and Economic Update Year-End 2024 and First Quarter 2025 for information and use it to guide the ongoing budget discussions leading up to the 2025 November Adjustments to the 2023 – 2026 Service Plans and Budgets.

CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

Les Tochor, Chief Financial Officer and General Manager of Corporate Planning & Financial Services, Michael Thompson, General Manager of Infrastructure Services, concur with this report.

HIGHLIGHTS

- The City had a favourable operating variance of \$276.3 million as of 2024 December 31, mainly due to the combined effect of higher revenue, lower-than-expected corporate expenditures and a favourable variance across several departments.
- As of 2025 March 31, The City had a favourable operating variance of \$77.7 million due to higher revenues in investment income and lower-than-expected expenditures across departments. The year-end operating variance is currently forecasted to be \$100.0 million favourable.
- 2024 saw \$1.9 billion in capital spending (92.4 per cent of the \$2.1 billion budget), up from 52.5 per cent in 2023. This is largely due to a comprehensive review of capital spending, including an in-year recast and the strategic reallocation of \$135.0 million to high priority capital needs.
- The first three months of 2025 saw 12 per cent of the \$2.6 billion capital budget spent. This spend rate is comparable to 2024 and reflects that most capital spending is aligned with the construction season starting in the second quarter of the year.

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DISCUSSION

Financial Highlights

The City maintained prudent financial stewardship aligned with best practices and Council policies, delivering outcomes that meet Calgarians' expectations. Operating variances are relatively common among Canadian municipalities, reflecting the inherent challenges of balancing fiscal plans, actual events and budget assumptions.

Operating budget overview

2024 year-end

As of 2024 December 31, The City had a favourable year-end operating variance of \$276.3 million (or 4.9 per cent of budgeted total expenditures net of recoveries) due to a variance in Corporate Programs of \$196.1 million, combined with one-time variances across other departments of \$80.2 million. Corporate Programs had a \$196.1 million favourable variance attributed to increased investment income (\$107.2 million) from higher interest on The City's bond portfolio and one-time realized gains earned on the equity portfolio and lower corporate contingencies required for unforeseen circumstances (\$64.9 million). The remaining variance is due to additional taxation revenue resulting from higher assessments, growth and fines and penalties and increased cost recoveries relating to employee benefits.

The remaining tax-supported favourable variance was across several departments and was primarily driven by \$61.1 million variance in Planning and Development Services related to the Downtown Conversion and Secondary Suite Initiatives that are now funded federally by the Housing Accelerator Fund and lower expenditures in salary and wages and contracted services. Another \$19.1 million variance was spread across various departments including People, Innovation and Collaboration Services and Corporate Planning and Financial Services, from lower expenditures in salary and wages and contracted services due to challenges in hiring and delays in program implementation.

2025 first quarter

As of 2025 March 31, The City had a favourable operating variance of \$77.7 million primarily due to a variance in Corporate Programs of \$42.3 million, and some one-time variances across other departments of \$35.4 million. The favourable operating variance of \$42.3 million in Corporate Programs is primarily attributed to higher investment income (\$30.0 million) due to one-time realized gains earned from rebalancing The City's bond portfolio and higher interest income from bond holdings and other corporate impacts (\$12.3 million) related to temporary timing differences that will be resolved in the second quarter of 2025.

The remaining tax-supported favourable variance was across several departments. Increased revenues can be attributable to higher admission revenues at City-operated facilities and timing of grant receipts and disbursements in Community Services. Lower-than-expected expenditures also contributed to the year-to-date variance and were due to lower than anticipated contracted services and winter operations costs in Operational Services, differences for one-time budgeted priorities in Planning and Development Services, and lower salary and wages in People, Innovation & Collaboration Services.

The City is forecasting a favourable year-end operating variance of \$100.0 million as of Q1 2025. This is due to higher investment income of \$55.0 million, savings from corporate contingencies

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not required and other manageable expenses of \$53.0 million, and lower than budgeted salary and wages of \$20.0 million. These one-time variances are partially offset by unfavourable fine revenue projected by Calgary Police Services of \$28.0 million. Additionally, The City is forecasting a favourable variance for franchise fees of \$4.0 million that will be contributed to the Reserve for Future Capital at year-end. Forecasted estimates are for The City's internal operations and are not reflective of the consolidated results presented in the financial statements. We will further revise these estimates quarterly.

As at the end of Q1, Administration recommends the allocation of 25 per cent or \$25.0 million of the 2025 forecasted positive variance. Additional work is underway to identify high priority projects that \$25.0 million of the projected year-end operating variance could be directed to in 2025.

Capital budget overview

2024 year-end

As of 2024 December 31, The City saw \$1.9 billion in capital spending (92.3 per cent of its \$2.1 billion budget). 2024 capital spend was up \$0.4 billion from the \$1.5 billion spent in 2023, a substantial increase in spending on key projects that provide services to Calgarians. This increase in capital spend, from 52.5 per cent in 2023, is primarily due to a comprehensive review of The City's capital spending, including an in-year recast to right size annual capital budgets to more accurately reflect expected spending projections and improved financial management delivering more value to our City. This work, along with the reallocation of \$135.0 million to high priority capital needs, highlights our commitment to intentional capital management and meeting the evolving infrastructure needs of our growing city. Ongoing challenges such as supply disruptions, inflation and labour shortages continue to impact certain capital projects. The City is actively addressing these systemic issues, which are expected to persist during this period of economic and political instability.

2025 first quarter

As of 2025 March 31, The City spent \$306.0 million, or 12 per cent, of its \$2.6 billion capital budget and continues to make progress on key infrastructure priorities including maintenance, critical repair, housing and community development, addressing cost escalations and more. The City is forecasting a year-end spend rate of 96%, recognizing that the capital spend rate begins increasing in the second quarter of the year due to the seasonality of the construction industry.

2025 first quarter economic overview

Our 2024 Fall Economic Outlook predicted slowing global inflation and steady economic growth, predicated on stable global markets boosting consumer confidence and spending. However, the current policy environment in the United States has increased uncertainty in global market. This can affect the local economy by reducing business investment, lowering consumer and business sentiment, and possibly contributing to higher inflation. While reciprocal tariffs have not yet affected inflation numbers, our forecast for economic growth for 2025 in Calgary is now 1.6 per cent, down from 2.6 per cent in the Fall Economic Outlook, while our 2025 forecasts for the inflation rate (3.0 per cent) and the unemployment rate (7.5 per cent) are higher. Our 2025 population is now forecasted to be 1.563 million, almost 30,000 higher than estimated in the fall.

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EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken | <input checked="" type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |

All departments were engaged to contribute content and validate accuracy of the presented information.

IMPLICATIONS

Social

No immediate social implications

Environmental

No immediate environmental implications

Economic

No immediate economic implications

Service and Financial Implications

Existing operating funding - one-time

The City is projecting a 2025 year-end operating variance of \$100.0 million as of 2025 March 31. Additional work is underway to identify high priority requests that \$25.0M of the projected year-end operating variance could be directed to in 2025.

RISK

There is significant risk in the economic forecasts, due to the constantly evolving policy environment the United States. Economic performance may be significantly better or worse than currently forecasted, depending on the decisions in the coming months. The uncertainty created by constant changes is likely to have a significant negative impact on economic growth the longer it continues.

ATTACHMENTS

1. Background and Previous Council Direction
2. Financial and Economic Update Year-End 2024 and First Quarter 2025
3. Presentation – Financial and Economic Update Year-End 2024 and First Quarter 2025

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Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Les Tochor, Chief Financial Officer and General Manager	Corporate Planning & Financial Services	Approve
Michael Thompson, General Manager	Infrastructure Services	Approve

Author: Corporate Budget Office