

Corporate Planning & Financial Services Report to
Executive Committee
2025 July 22

ISC: UNRESTRICTED
EC2025-0728

Financial and Economic Update Second Quarter 2025

PURPOSE

This report provides an update on the progress made during the first half of 2025 and updates The City's 2025 year-end projected variances. The information is important for both accountability and as an input into the 2026 Adjustments to the 2023 – 2026 Service Plans and Budgets.

PREVIOUS COUNCIL DIRECTION

On 2024 November 21, during the 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:

1. Receive the Financial and Economic Update Second Quarter 2025 for information and use it to guide the ongoing budget discussions leading up to the 2026 Adjustments to the 2023 – 2026 Service Plans and Budgets.

RECOMMENDATION OF THE EXECUTIVE COMMITTEE, 2025 JULY 22:

That Council receive the Financial and Economic Update Second Quarter 2025 for information and use it to guide the ongoing budget discussions leading up to the 2026 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 and Michael Thompson, General Manager of Infrastructure Services concur with this report.

HIGHLIGHTS

- As of 2025 June 30, The City had a favourable operating variance of \$221 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 \$175.0 million favourable.
- The first half of 2025 saw 32 per cent of the \$2.7 billion capital budget spent, or \$857 million. This spend rate is comparable to 2024 and reflects that most capital spending is aligned with the construction season starting in the second half of the year. The City is forecasting a year-end capital spend rate of 101 per cent.
- Work is underway as The City progresses on the high priority amendments approved by Council during the Mid Cycle Adjustments to the 2023 – 2026 Business Plans and Budgets.

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DISCUSSION

Financial Highlights

The City continues to maintain 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

As of 2025 June 30, The City had a favourable operating variance of \$221 million primarily due to a variance in Corporate Programs of \$162 million, and some one-time variances across other departments of \$59 million. Corporate Programs had a \$162 million favourable variance attributed to increased investment income of \$126 million from higher interest income and one-time realized gains earned from rebalancing The City's equity portfolio. The remaining variance of \$36 million is due to lower corporate contingencies required for unforeseen circumstances year-to-date, timing of other expenditures, and higher than anticipated revenue from fines and penalties.

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, differences for one-time budgeted priorities, and lower salary and wages across the departments.

Operating Year-End Forecast

The City is forecasting a favourable year-end operating variance of \$175 million as of Q2 2025. This is due to higher investment income of \$130 million, savings from corporate contingencies not required and other manageable expenditures of \$53 million, and lower than budgeted salary and wages of \$20 million. These one-time variances are partially offset by unfavourable fine revenue projected by Calgary Police Services of \$28 million. 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.

At the 2025 June 3 Strategic Meeting of Council, Council approved a capital budget increase of \$96 million that was partially funded through \$25 million of The City's 2025 forecasted positive variance. Administration is recommending using the remaining forecasted variance to fund high priority one-time operating and capital budget requests during the 2026 Adjustments.

Progress on Operating Amendments

During the Mid Cycle Adjustments to the 2023 – 2026 Business Plans and Budgets, Council approved \$6.6 million in one-time high priority operating budget amendments. Administration continues to progress on these initiatives, as summarized in Attachment 2. Council also approved ongoing operating budget of \$2 million beginning in 2025 to permanently fund the Civic Partner Community Safety Grant Program that is distributed quarterly.

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Capital Budget Overview

As of 2025 June 30, The City spent \$857 million, or 32 per cent, of its \$2.7 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.

During the second quarter of 2025, The City completed upgrades to the Calgary Soccer Centre Dome and Artificial Turf Field, providing Calgarians a high-quality, year-round space for various recreational activities. Commissioning activities have been completed at both Water Treatment Plants to support the reintroduction of fluoride into Calgary's drinking water. This action follows a City Council decision prompted by the 2021 municipal election, during which 62 per cent of voters supported the return of fluoridation to the city's water system.

The Mission Bridge and 4th Ave Flyover have reopened to traffic. Mission Bridge is a vital connection for walking, driving or wheeling in the Mission District. The 4th Avenue flyover is one of the main routes into downtown. Once rehabilitation is complete, these bridges will continue to be functional and reliable for commuters for years to come.

The Parks and Playground Amenities program significantly enhanced smaller local and neighborhood parks this past quarter. Notable projects include the installation of beach volleyball courts at Tuxedo Park and improvements to Applewood CN Rail Playpark. These upgrades bring new recreational amenities and multi-generational spaces for the community to enjoy.

Capital Year-End Forecast

The City is forecasting a year-end spend rate of 101 per cent, recognizing that the capital spend rate increases significantly in the second half of the year due to the seasonality of the construction industry.

Progress on Capital Amendments

During the Mid Cycle Adjustments to the 2023 – 2026 Business Plans and Budgets, Council approved \$47.4 million in high priority capital budget amendments. Administration continues to progress on these initiatives, as summarized in Attachment 2.

Economic Overview

Since the release of our 2025 Spring Economic Outlook, economic conditions have remained broadly the same. While tariff uncertainties continue to weigh on global trade and investment, U.S. trade policy has shifted away from sweeping tariffs toward more bilateral agreements. The current geopolitical and economic environments have increased uncertainty in global markets, which can affect Calgary's economy by reducing business investment, lowering consumer and business sentiment, and possibly contributing to higher inflation. Despite economic performance being better than expected, Calgary's economy did not keep up with population growth. As a result, the unemployment rate has remained high since last year. Although interest rates have fallen, the effects on local hiring have been modest, with employers remaining cautious amid lingering uncertainty. Our forecast calls for Calgary's economy to grow by 1.6 per cent in 2025, down from 3.5 per cent estimated in 2024.

While the Calgary economy is showing more resilience to the policy environment than anticipated in the Spring Economic Outlook, there are still some significant risks that could lead to a downturn in the second half of the year. Nevertheless, there is some indication that overall performance will continue to outperform the forecast.

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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 \$175 million as of 2025 June 30 of which \$25 million was committed to fund high priority capital budget requests at the 2025 June 3 Strategic Meeting of Council. Administration is recommending using the remaining forecasted variance to fund high priority one-time operating and capital budget requests during the 2026 November Adjustments.

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.

ATTACHMENT(S)

1. Background and Previous Council Direction
2. Financial and Economic Update Second Quarter 2025
3. Presentation – Financial and Economic Update Second 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

City Clerks: A. Adegunwa / C. Doi