

Operating Budget Overview

Year-End 2024

| Net Budget – comparison to Actuals For the year ended December 31 (in thousands) | 2024 Budget | 2024 Actual | Favourable/ (Unfavourable) |
|--|--------------------|--------------------|---------------------------------------|
| Operational Services | 681,680 | 680,506 | 1,174 |
| Community Services | 532,287 | 523,724 | 8,563 |
| Calgary Police Services | 494,158 | 494,158 | (0) |
| People, Innovation & Collaboration Services | 179,726 | 175,226 | 4,500 |
| Civic Partners | 141,550 | 141,399 | 151 |
| Planning and Development Services | 135,349 | 74,264 | 61,084 |
| Corp Planning and Financial Services | 85,606 | 82,830 | 2,776 |
| Law, Legislative Services & Security | 62,593 | 62,593 | (0) |
| Infrastructure Services | 58,523 | 58,789 | (265) |
| Council | 14,644 | 13,004 | 1,639 |
| Chief Administrative Officer | 3,959 | 3,375 | 584 |
| Corporate Programs | (2,390,075) | (2,586,145) | 196,070 |
| Total | - | (276,277) | 276,277 |

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 of \$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 of \$64.9 million. The remaining variance of \$24.0 million is due to additional taxation revenue resulting from higher assessments, growth and fines and penalties and increased cost recoveries relating to employee benefits.

Planning and Development Services had a \$61.1 million variance related primarily due to the Downtown Conversion and Secondary Suite Initiatives that are now being funded federally by the Housing Accelerator Fund, along with lower expenditures in salary and wages and contracted services.

The remaining \$19.1 million variance was spread across **various departments** including Community Services, People, Innovation and Collaboration Services and Corporate Planning and Financial Services. The variance was due to lower expenditures in salary and wages and contracted services due to challenges in hiring and delays in program implementation and additional revenue in Recreation driven by post-pandemic recovery.

First Quarter 2025

| Net Budget – comparison to Actuals For the period ended March 31 (in thousands) | Q1 2025 Budget | Q1 2025 Actual | Favourable/ (Unfavourable) | Year-End Forecast |
|---|---------------------------|---------------------------|---------------------------------------|------------------------------|
| Operational Services | 158,399 | 145,318 | 13,081 | - |
| Community Services | 139,577 | 132,124 | 7,454 | 6,000 |
| Calgary Police Services | 131,998 | 133,412 | (1,414) | (28,000) |
| People, Innovation & Collaboration Services | 56,248 | 54,365 | 1,883 | 4,000 |
| Civic Partners | 41,924 | 41,898 | 27 | - |
| Planning and Development Services | 27,364 | 18,961 | 8,403 | 2,000 |
| Law, Legislative Services & Security | 26,760 | 21,921 | 4,839 | - |
| Corp Planning and Financial Services | 21,990 | 21,336 | 654 | - |
| Infrastructure Services | 14,153 | 14,590 | (437) | - |
| Green Line | 8,000 | 8,000 | - | - |
| Council | 3,600 | 2,920 | 681 | - |
| Chief Administrative Officer | 996 | 778 | 218 | - |
| Corporate Programs | (61,045) | (103,325) | 42,281 | 116,000 |
| Total | 569,964 | 492,296 | 77,668 | 100,000 |

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 of \$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 of \$12.3 million related to temporary timing differences that will be resolved in the second quarter of 2025.

The \$35.4 million variance across other departments was due to the following:

- Higher admissions at City-operated facilities and timing of grant receipts and disbursements in **Community Services**;
- 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 and higher revenues in **People, Innovation & Collaboration Services**.

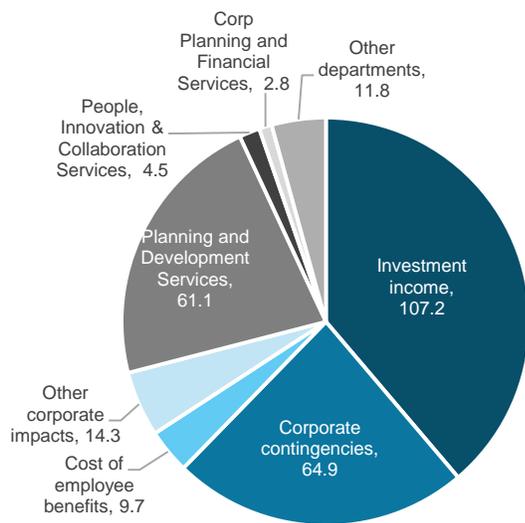
Forecast

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 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

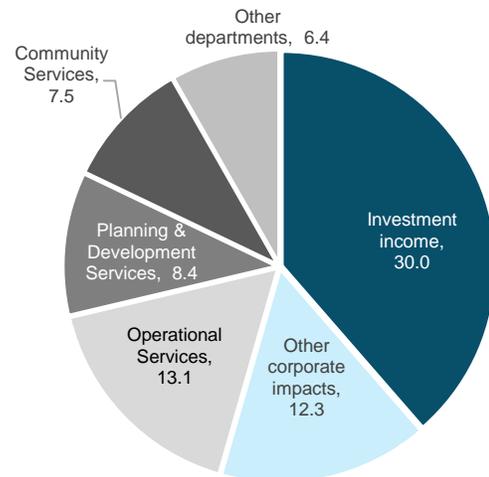
a favourable variance for franchise fees of \$4.0 million that will be contributed to the Reserve for Future Capital at year-end. Forecasted estimates are for The City's internal operations and are not reflective of the consolidated results presented in the financial statements. We will further revise 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.

2024 Year End Favourable Operating Variance
(\$ Million)



Q1 2025 Favourable Operating Variance
(\$ Million)



Capital Budget Overview

Year-End 2024

Capital Budget – comparison to Actuals

| For the year ended December 31 (in thousands) | 2024 Budget | 2024 Actual | Spend rate |
|---|------------------|------------------|--------------|
| Infrastructure Services | 854,203 | 804,238 | 94.2% |
| Operational Services | 478,044 | 542,421 | 113.5% |
| Green Line | 393,349 | 327,897 | 83.4% |
| Community Services | 96,212 | 78,269 | 81.4% |
| Civic Partners | 68,075 | 68,161 | 100.1% |
| Planning and Development Services | 49,978 | 26,481 | 53.0% |
| People, Innovation & Collaboration Services | 58,782 | 53,142 | 90.4% |
| Calgary Police Services | 71,312 | 18,571 | 26.0% |
| Law, Legislative Services & Security | 14,413 | 8,876 | 61.6% |
| Corp Planning and Financial Services | 7,280 | 4,382 | 60.2% |
| Total | 2,091,647 | 1,932,438 | 92.4% |

As of 2024 December 31, The City saw \$1.9 billion in capital spending (92.4 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 percent 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 labor 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. The Capital Cost Escalation Fund was used to mitigate some of the challenges and support timely delivery of Council-approved projects.

The unspent budget of \$159.0 million was carried forward into 2025 to complete approved capital initiatives. The Infrastructure Calgary Steering Committee regularly reviews the capital portfolio and identifies funding that can be reallocated to high priority, unfunded capital needs and will continue work on their 10-Year Capital Investment Plans. The City continues to look for third party funding and financing to advance capital initiatives.

First Quarter 2025

| Capital Budget – comparison to Actuals For the period ended March 31 (in thousands) | 2025 Budget | Q1 2025 Actual | Spend rate |
|---|------------------------|---------------------------|-------------------|
| Infrastructure Services | 1,230,008 | 116,110 | 9.4% |
| Operational Services | 507,815 | 73,226 | 14.4% |
| Green Line | 384,661 | 25,222 | 6.6% |
| Community Services | 133,705 | 46,275 | 34.6% |
| Civic Partners | 72,472 | 5,643 | 7.8% |
| Planning and Development Services | 71,638 | 5,215 | 7.3% |
| People, Innovation & Collaboration Services | 67,206 | 22,690 | 33.8% |
| Calgary Police Services | 63,989 | 8,047 | 12.6% |
| Law, Legislative Services & Security | 14,897 | 2,892 | 19.4% |
| Corp Planning and Financial Services | 10,124 | 658 | 6.5% |
| Total | 2,556,517 | 305,978 | 12.0% |

As of 2025 March 31, The City spent \$306 million, or 12.0 per cent, of its \$2.6 billion capital budget.

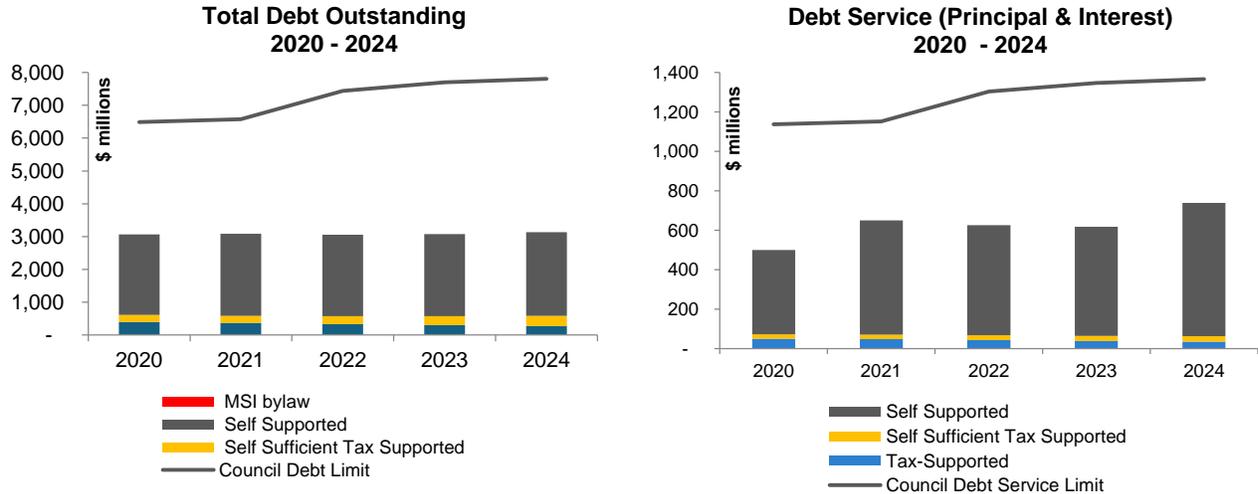
During the first quarter of 2025, The City launched the Sunalta Community Hub, providing community activities and diverse services to Calgarians to improve the local quality of life and offer residents a gathering place for shared connections. The City continues to make progress on key infrastructure priorities such as maintenance and critical repair, housing and community development, cost escalations and more. The Mission Bridge rehabilitation, Mount Pleasant Affordable Housing and Calgary Soccer Centre are all slated for completion this year. In addition, initial commissioning steps have been completed at both Water Treatment Plants for the re-introduction of fluoride into the drinking water and is expected to be completed in the second quarter of 2025.

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.

Debt Overview

The Council approved debt limits in The City's Debt Policy are more stringent limits than those set out for other local authorities in the Municipal Government Act. A long-term forecast of the Council approved debt limits is maintained by The City. This is used to assess the current and future impact on these limits on the use of debt for approved and prospective long-term capital plans of The City. Based on the analysis, the approved Debt Limit, Debt Service Limit and Tax-Supported Debt Service Limit set out in the Council Debt Policy have been sufficient to meet The City's borrowing requirements in past financial year's (including 2024) and anticipated in future.

As at the end of 2024, The City is well within the limit of total debt outstanding as well as the debt service limits.



Economic Overview

Our 2024 Fall Economic Outlook predicted that slowing global inflation and steady economic growth would facilitate a soft landing. The stability of global markets would boost consumer confidence and spending. At the same time, the U.S. economy would continue to thrive thanks to greater productivity and three significant pieces of legislation implemented by the Biden administration. Population increase was expected to moderate but continue to support the Canadian economy, while a more advantageous financing climate in 2025 would boost confidence in private investment, stimulate household spending, and aid exports. Canada's exchange rate was predicted to remain reasonably stable against the U.S. dollar as monetary policy adjustments in both countries remained consistent. This would boost trade since trading partners would benefit from more price certainty. Alberta's economic performance was expected to be much stronger, while The City would profit from the Province's improved financial status and robust growth.

Since the inauguration of the new U.S. Administration, rising tariff uncertainty and persistent market volatility have raised fears of stagnant economic growth. The current policy environment has increased uncertainty in global markets, which can affect the local economy by reducing business investment, lowering consumer and business sentiment, and possibly contributing to higher inflation. Reduced investment and consumer spending, and the potential for higher prices, can all reduce economic growth. Calgary's economy is projected to grow by 1.6 per cent in 2025, down from 3.5 per cent predicted in 2024.

In March 2025, the Calgary Census Metropolitan Area (CMA) Consumer Price Index (CPI) increased 3.0 per cent year-over-year (YoY). The March 4 reciprocal tariffs did not immediately affect inflation numbers. For consumers, the inflation rate in the CMA is forecast to fall from 3.4 per cent in 2024 to 3.0 per cent in 2025, although it will stay higher than inflation targets due to some of the price pressures expected this year.

Last year, Calgary experienced a 4.9 per cent increase in population. Exceptional population expansion has relieved some of the burden on industries experiencing acute labour shortages, and Calgary's population is projected to grow at 2.1 per cent in 2025. Although net migration is expected to cool off from its highs after this year, as the federal immigration programs start to end, it will remain Calgary's primary driver of population growth. However, Calgary's high unemployment rate creates substantial challenges for the local economy. The local economy isn't growing fast enough to generate enough employment opportunities, resulting in a higher unemployment rate. The unemployment rate in the Calgary Economic Region (CER) was estimated at 7.7 per cent in March 2025. Looking ahead, we expect Calgary's unemployment rate to remain high, at 7.5 per cent in 2025, while employment growth is predicted to slow to 2.2 per cent this year.

Table 1: Change in forecast for key economic indicators in Calgary

| | Fall Economic Outlook | | Revised Forecast | | 2025 YTD |
|--------------------------|-----------------------|---------|------------------|---------|----------|
| | 2024 | 2025 | 2024 | 2025 | |
| Population ('000) | 1,491.9 | 1,523.2 | 1,509.8 | 1,562.6 | N/A |
| Real GDP growth | 2.3% | 2.6% | 3.5% | 1.6% | N/A |
| Inflation rate | 3.2% | 1.7% | 3.4% | 3.0% | 2.8% |
| Unemployment rate | 7.0% | 6.9% | 7.4% | 7.5% | 7.7% |

Table 1 shows key indicators predicted in our 2024 Fall Economic Outlook compared to the revised forecast published in the 2025 Spring Economic Outlook. The main difference is the downward revision of real Gross Domestic Product (GDP) by forecasters¹ due to the impact of the imposed tariffs by the United States. Tariffs in Calgary, which relies mainly on exports, notably to the United States, are expected to impact real GDP, population growth, inflation, and unemployment. Tariffs are expected to slow economic growth, thereby raising the unemployment rate, and cause inflation to increase as import costs rise.

Despite high financing costs, Calgary's historically robust population growth has kept house demand stable. As a result, Calgary had the highest number of housing starts among Canadian municipalities in 2024. The City of Calgary has issued \$1.2 billion in residential building permits and \$483 million in non-residential building permits year-to-date. While tighter federal immigration rules are projected to dampen home demand, several government programs and falling interest rates are expected to support investment. Furthermore, increased building costs caused by tariffs may continue to boost permit values. Residential construction investment, which accounted for about 65 per cent of the total value in 2024, is expected to taper off this year but remain elevated, at approximately \$7.6 billion. In 2024, total housing starts exceeded 20,000 units for the first time. Calgary became the second municipality in Canada to achieve this milestone. This expansion was fueled mainly by apartment construction. Year-to-date, housing starts is estimated at 4,995 units and for 2025 housing starts are projected at 18,800 units.

¹ External forecasters include Stokes Economics, the Conference Board of Canada, Oxford Economics, the International Monetary Fund (IMF), and various commercial banks.