



CITY COUNCIL REPORT

TITLE:

2025 REVIEW OF UTILITY FINANCIAL POSITION

PRESENTER:

Troy Tripp

DEPARTMENT:

Finance

ATTACHMENTS:

DATE:

10/9/2026

CLEARANCE / APPROVALS:

Dave Wardrop General Manager

Dave Wardrop City Manager

RECOMMENDATION(S):

That the 2025 Review of the Financial Position of the City of Brandon Water and Wastewater Utility be received for information.

BACKGROUND:

In accordance with Council direction and Public Utilities Board requirements, Administration completes an annual review of the Water and Wastewater Utility's financial position. The review assesses the previous year's financial performance, progress toward recovery of prior-year deficits, working capital, and the adequacy of the Utility's current financial plan.

The annual review assists Administration and Council in identifying whether additional regulatory action is required, including a deficit recovery application, rate adequacy report, or simplified rate adjustment application.

ANALYSIS:

The Utility reported a 2025 operating surplus of \$13.75 million under Public Sector Accounting Standards and a Municipal Act budgetary surplus of \$2.10 million after transfers, prior-year deficit recoveries, and other adjustments.

For Public Utilities Board reporting purposes, the results are adjusted to exclude capital grants, prior-year deficit recovery revenue, and other items that do not form part of regular utility operations. Amortization associated with capital grants and contributed tangible capital assets is added back.

On this basis, the Utility recorded a 2025 regulatory operating surplus of \$6.46 million, compared with a budgeted regulatory surplus of \$3.73 million. The favourable variance was primarily attributable to:

- lower purification and treatment costs resulting from reduced chemical requirements and staffing vacancies;
- higher industrial wastewater reclamation recoveries;
- development charge revenue exceeding budget due to greater-than-anticipated development activity; and

- lower general administration costs arising mainly from staffing vacancies.

A portion of the favourable result reflects factors that may not recur annually, including source water conditions, staffing vacancies, and the level of development activity.

The report highlights:

- The Utility's financial position continues to improve through ongoing deficit recovery, reserve accumulation, and capital investment.
- Working capital remains in a deficit position; however, the balance is significantly influenced by capital financing timing and outstanding debt proceeds related to major infrastructure projects.
- PUB-approved deficit recovery riders remain effective, with approximately 30.5% of authorized recoveries collected as of December 31, 2025.

Administration has not prepared a separate 2026 rate adequacy report because the City submitted a comprehensive water and wastewater rate application to the Public Utilities Board on June 29, 2026. That application includes updated financial forecasts, working capital projections, and proposed rates beginning in 2027, providing a more current assessment of prospective rate adequacy.

STRATEGIC ALIGNMENT:

The annual review supports responsible financial stewardship, long-term infrastructure planning, regulatory compliance, and the continued delivery of reliable water and wastewater services.

FINANCIAL IMPACT:

There is no direct financial impact arising from receiving this report. The review confirms that the Utility generated a positive regulatory operating result in 2025 and that recovery of previously approved operating deficits remains on track.

The City's pending rate application establishes the longer-term strategy for improving working capital, funding capital requirements, and maintaining the financial sustainability of the Utility.

RISK ASSESSMENT:

The Utility continues to face financial risks associated with its working capital deficit, significant capital requirements, construction and financing timing.

These risks are being addressed through continued financial monitoring, approved deficit recovery riders, capital financing arrangements, and the comprehensive rate application currently before the Public Utilities Board.

CONCLUSION:

The 2025 annual review demonstrates continued progress in the financial management of the Water and Wastewater Utility. The Utility generated a positive regulatory operating result, prior-year deficit recovery remains on schedule, and major infrastructure investments continue to advance.

Administration will continue to monitor the Utility's financial performance, working capital, capital financing, and compliance with Council direction and Public Utilities Board requirements.



City of Brandon Water and Wastewater Utility

Annual Review of Financial Position

2025 Report

In accordance with City Council Resolution and directives from the Public Utilities Board (PUB), Administration conducts an annual review of the financial position of the City of Brandon Water and Wastewater Utility. This review evaluates the Utility's financial performance for the previous fiscal year and supports the City's commitment to proactive financial management. The purpose of the review is to identify the need for any deficit recovery applications, rate adequacy reports, or simplified rate adjustment submissions, ensuring timely compliance with regulatory requirements and helping to avoid significant future rate increases. This annual process reflects the City's ongoing efforts to maintain the long-term financial sustainability of the Utility while delivering reliable services to residents.

2025 Financial Results

In 2025, the City of Brandon Water and Wastewater Utility recorded a net operating surplus of \$13.75 million under Public Sector Accounting Standards, as reported in Schedule 9 of the audited financial statements. After transfers, recovery of prior year deficits and other adjustments, the Utility reported a Municipal Act budgetary surplus of \$2.10 million, as reconciled in Schedule 14.

For Public Utilities Board (PUB) review purposes, the financial results have been restated using PUB Schedule 9. The calculation excludes capital grant revenue, contributed tangible capital assets and revenues collected through the prior year deficit recovery riders. It adds back the amortization of capital grants and contributed tangible capital assets. The Water Treatment Facility debt surcharge remains included as utility billing revenue because it is an approved component of the Utility's current rate structure intended to support ongoing capital financing obligations. On this basis, the Utility recorded a 2025 regulatory operating surplus of \$6.46 million, compared with a budgeted regulatory surplus of \$3.73 million. The reconciliation of this figure is provided in the table below:

Item	Amount
PSAS Operating Surplus (as per Schedule 9)	\$13,745,734
Deduct: Capital Grants	(6,634,989)
Deduct: Deficit Recovery	(2,910,737)
Add: Amortized Capital Grants - Water	84,105
Add: Amortized Capital Grants - Wastewater	1,651,826
Add: Amortized Contributed Tangible Capital Assets	521,135
PUB Adjusted Surplus	\$6,457,074

Some of the main drivers of the variance to the approved budgeted surplus of \$3.72 million include:

1. **Purification and Treatment** – Expenses in this category were favourable by \$739 thousand. The majority of the reduced operating costs were realized from lower chemical requirements resulting from source water quality throughout the year. Vacancies in operating and maintenance staff also contributed to this result.
2. **Wastewater lagoon operating revenue from industry** – The industry recoveries from water reclamation activities exceeded plan by \$783 thousand. Increased chemical loads in the wastewater reclamation process accounts for this variance.
3. **Development Charges** – Development-charge revenue exceeded budget by \$807 thousand, primarily as a result of higher-than-anticipated development activity during the year, including larger institutional and industrial projects.
4. **General Administration** – This expenditure category was favourable in relation to budget by \$316 thousand. This cost category is primarily driven by staffing vacancies experienced in corporate administration and engineering functions.

A portion of the favourable 2025 result reflects factors that may not recur annually, including staffing vacancies, favourable source water conditions and elevated development activity.

Due to Other Funds

As of December 31, 2025, the Utility reported an amount of \$81.98 million due to other funds, an increase of \$18.75 million from the prior year. This increase is primarily attributed to expenditures of \$15.30 million on two major infrastructure projects — the Water Treatment Facility Upgrade and Southwest Wastewater Servicing — funded through long-term debt. The rise in interfund liabilities reflects outstanding debt proceeds for work completed but not yet received by year-end. In total, there was \$23.83 million in outstanding debt proceeds impacting the due to other funds line.

In addition, the balance includes approximately \$28.21 million associated with Utility reserves. Net transfers to these reserves exceeded transfers from reserves by \$6.97 million in 2025, contributing to the increase in the amount due to other funds.

Working Capital

The PUB Board Order No. 93/09 recommends that utilities maintain a working capital surplus equivalent to 20% of operating expenditures. At the end of 2025, the utility maintained a working capital deficit of \$39.40 million, an increase of approximately \$5.3 million.

The working capital deficit is largely attributable to historical capital investments, the accounting treatment of utility tangible capital assets, and the timing of capital financing. Accordingly, annual operating surpluses do not directly translate into positive working capital.

The aforementioned outstanding debt proceeds also impact the working capital surplus/deficit calculation, therefore it is anticipated the utility will see an improvement in the working capital upon receipt of these funds.

The 2025 working capital surplus(deficit) is calculated at the bottom of the attached Schedule 9.

Prior Year Deficits

The utility currently charges a deficit recovery rate rider of \$0.287 per cubic meter of water consumption and \$0.210 per cubic meter of wastewater consumption. These charges are authorized under 3 separate board orders:

Board Order No.	Term	Years	Water (per m ³)	Wastewater (per m ³)	Authorized Recovery	Recovered to Dec. 31, 2025
119/23	Oct 1/23 - Sep 30/30	2015, 2016, 2017, 2020, 2021	0.190	0.210	\$15,869,919	\$5,240,939
50/24	Apr 1/24 - Sep 30/30	2022	0.033	-	1,387,450	380,770
42/25	Apr 1/25 - Sep 30/30	2023	0.064	-	2,288,976	330,178
			0.287	0.210	\$19,546,345	\$5,951,886

At the end of 2025, the utility had recovered \$5.95 million of the outstanding prior year deficits. This is equivalent to 30.5% of the total authorized deficit recovery at the end of 2025. The deficit recovery methodology appears to be effective in it's intended purpose and is on track to satisfy the recovery of prior year deficit at or before the end of the term.

Conclusion

The 2025 annual review demonstrates continued progress in the financial management of the City of Brandon Water and Wastewater Utility. With a positive operating surplus, ongoing recovery of prior year deficits, and strategic investment in infrastructure, the Utility remains on track to meet its financial obligations and long-term sustainability goals. The City's pending rate application provides a long-term strategy to maintain financial sustainability, support capital investment requirements and improve the Utility's working capital position.

A separate rate adequacy report has not been prepared for 2026 because the City submitted a comprehensive application for revised water and wastewater rates on June 29, 2026. That application includes updated financial forecasts, working capital projections and proposed rates beginning in 2027, and therefore provides the PUB with a more current assessment of prospective rate adequacy than a stand-alone annual rate adequacy report.

Administration will continue to monitor financial performance and ensure compliance with Public Utilities Board directives and Council resolutions.

Supplemental to this report are the following:

- PUB Schedule 9 for 2024 and 2025 (Attached)
- Contributed TCA amortization table (Attached)
- Capital Grant amortization table (Attached)
- 2025 Audited Financial Statements [\(Web version\)](#)



**Water and Wastewater Utility
Capital Grant Amortization Schedule**

Water services:

	2025			2025
	Unamortized			Unamortized
Description of Utility	Opening	Additions	Amortization	Balance
	Balance	During Year	During Year	Ending
Chemical Building	\$ 2,091,440	\$ -	\$ 55,772	\$ 2,035,668
Supply Line	\$ 350,000	\$ -	\$ 20,000	\$ 330,000
1st St Watermain	\$ -	\$ 1,000,000	\$ 8,333	\$ 991,667
Water Treatment Facility	\$ 806,390	\$ 5,634,989	\$ -	\$ 6,441,378
	<u>\$ 3,247,830</u>	<u>\$ 6,634,989</u>	<u>\$ 84,105</u>	<u>\$ 9,798,713</u>

Sewer services:

	Unamortized			Unamortized
	Opening	Additions	Amortization	Balance
Description of Utility	Balance	During Year	During Year	Ending
Combined WWTF Phase II	\$ 7,494,123	\$ -	\$ 516,837	\$ 6,977,286
Lagoon Cell 3A	\$ 129,171	\$ -	\$ 8,333	\$ 120,838
Combined WWTF Phase III	\$ 26,379,707	\$ -	\$ 894,227	\$ 25,485,480
Forcemain Kirkcaldy LS				
to Pacific Ave	\$ 4,302,850	\$ -	\$ 77,529	\$ 4,225,321
Kirkcaldy Lift Station	\$ 5,498,937	\$ -	\$ 154,900	\$ 5,344,037
	<u>\$ 43,804,788</u>	<u>\$ -</u>	<u>\$ 1,651,826</u>	<u>\$ 42,152,962</u>

City of Brandon Utility
Contributed Tangible Capital Assets Amortization
For the year ended December 31, 2025

Water services:				
	Unamortized Opening Balance	Additions During Year	Amortization During Year	Unamortized Balance Ending
Contributed TCAs	12,956,347	-	256,371	12,699,976
Wastewater services:				
	Unamortized Opening Balance	Additions During Year	Amortization During Year	Unamortized Balance Ending
Contributed TCAs	13,439,890	-	264,764	13,175,126
TOTAL	26,396,237	-	521,135	25,875,102

AMORTIZATION																			
	Annual Developer Contributed TCAs	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2008	4,745,589.00	39,547	79,093	79,093	79,093	79,093	79,093	79,093	79,093	79,093	79,093	79,093	79,093	79,093	79,093	79,093	79,093	79,093	79,093
2009	4,519,813.00		37,665	75,330	75,330	75,330	75,330	75,330	75,330	75,330	75,330	75,330	75,330	75,330	75,330	75,330	75,330	75,330	75,330
2010	1,508,886.00			12,574	25,148	25,148	25,148	25,148	25,148	25,148	25,148	25,148	25,148	25,148	25,148	25,148	25,148	25,148	25,148
2011	1,841,385.00				15,345	30,690	30,690	30,690	30,690	30,690	30,690	30,690	30,690	30,690	30,690	30,690	30,690	30,690	30,690
2012	760,537.67					6,338	12,676	12,676	12,676	12,676	12,676	12,676	12,676	12,676	12,676	12,676	12,676	12,676	12,676
2013	2,099,665.17						17,497	34,994	34,994	34,994	34,994	34,994	34,994	34,994	34,994	34,994	34,994	34,994	34,994
2014	603,335.40							5,028	10,056	10,056	10,056	10,056	10,056	10,056	10,056	10,056	10,056	10,056	10,056
2015	744,976.00								6,208	12,416	12,416	12,416	12,416	12,416	12,416	12,416	12,416	12,416	12,416
2016	469,915.00									3,916	7,832	7,832	7,832	7,832	7,832	7,832	7,832	7,832	7,832
2017	1,412,786.00										11,773	23,546	23,546	23,546	23,546	23,546	23,546	23,546	23,546
2018	-															-	-	-	-
2019	864,966.00												7,208	14,416	14,416	14,416	14,416	14,416	14,416
2020	4,454,329.82													37,119	74,239	74,239	74,239	74,239	74,239
2021	1,070,470.00														8,921	17,841	17,841	17,841	17,841
2022	848,994.21															7,075	14,150	14,150	14,150
2023	2,226,013.00																18,550	37,100	37,100
2024	3,096,414.89																-	25,803	51,607
2025	-																		-
	31,268,076	39,547	116,758	166,997	194,916	216,599	240,434	262,959	274,195	284,319	300,008	311,781	318,990	363,317	409,357	425,353	450,978	495,331	521,135

CITY OF BRANDON WATER & WASTEWATER UTILITY
SCHEDULE OF UTILITY RATE REQUIREMENTS - PUB SCHEDULE 9
FOR PUBLIC UTILITIES USE ONLY

	2024 <i>Audited</i>	2025 <i>Budget</i>	2025 <i>Audited</i>
General			
Expenses:			
Administration	\$4,604,444	\$5,415,934	\$5,099,725
Training costs	128,039	141,135	125,709
Billing and collection	894,896	913,709	1,001,035
Utilities (telephone, electricity, etc.)			
Total general expenses	5,627,379	6,470,778	6,226,469
Revenue			
Penalties	143,143	100,000	168,768
Other income			
Investment income			
Gain on sale of tangible capital assets			
Total general revenues	143,143	100,000	168,768
Net Costs General	5,484,236	6,370,778	6,057,701
Water			
Expenses			
Purification and treatment (includes Utility costs)	6,137,805	7,908,726	7,169,035
Variable water treatment costs for population growth	-		
Transmission and distribution	989,487	1,087,522	1,335,184
Service of Supply	-		
Connection costs	286,610	546,096	348,658
Maintenance of mains			
Amortization	3,068,348	3,155,967	3,155,967
Accretion	111,613	(5,475)	(5,475)
Interest on long-term debt	512,902	491,434	491,434
Total water expenses	11,106,765	13,184,270	12,494,803
Revenue			
Bulk Water fees	94,758	106,780	111,230
Water Service revenues			
Development Charges "DC"			
Hydrant rentals	324,618	349,440	342,307
Total water revenues	419,376	456,220	453,537
Net rate costs - Water	10,687,389	12,728,050	12,041,266
Wastewater			
Expenses			
Collection system costs	615,631	490,245	548,120
Variable wastewater treatment costs for population growth			
Treatment and disposal costs (includes Utility costs)	7,865,368	7,591,335	7,808,563
Lift Station costs	116,327	274,675	57,566
Maintenance of mains			
Amortization	4,997,014	5,075,032	5,075,032
Accretion	201,566	213,116	213,116
Interest on long term debt	164,734	143,724	143,724
Total Wastewater expenses	13,960,640	13,788,127	13,846,121
Revenue			
Other income			
Development Charges "DC"	625,139	494,395	1,301,866
Wastewater lagoon operating revenue from industry	2,810,376	2,607,433	3,390,769
Lagoon tipping fees	267,589	250,000	241,091
Total wastewater revenues	3,703,104	3,351,828	4,933,726
Net rate costs - Wastewater	10,257,536	10,436,299	8,912,395
Water and Wastewater Billing Revenues			
Debt Surcharge - Water Treatment Facility	1,125,583	1,145,896	1,162,578
Water and Wastewater billings	25,650,190	29,863,303	30,048,792
	26,775,773	31,009,199	31,211,370
Net Revenue/(Expense)	346,612	1,474,072	4,200,008

CITY OF BRANDON WATER & WASTEWATER UTILITY
SCHEDULE OF UTILITY RATE REQUIREMENTS - PUB SCHEDULE 9
FOR PUBLIC UTILITIES USE ONLY

	2024 <i>Audited</i>	2025 <i>Budget</i>	2025 <i>Audited</i>
Capital Grants & Contributed TCA - PUB Adjustments			
Add Amortization of Contributed TCAs	495,331	521,135	521,135
Add Amortization of Water Capital Grants	84,105	84,105	84,105
Add Amortization of Wastewater Capital Grants	1,651,825	1,651,826	1,651,826
	<u>2,231,261</u>	<u>2,257,066</u>	<u>2,257,066</u>
Net Operating Surplus (Deficit) with PUB Adjustments	<u>2,577,873</u>	<u>3,731,138</u>	<u>6,457,074</u>
Deficit Rate Rider	2,475,583	2,554,637	2,910,737
Transfers			
Transfers from Government - Operating	-		-
Transfers from Government - Capital	-		6,634,989
Contributed Capital	3,096,415		-
Transfers from (to) Reserves	<u>(4,441,803)</u>		<u>(6,966,843)</u>
Change in Utility Fund Balance after Transfers	3,708,068		9,035,957
Reverse PUB Adjustments	<u>(2,231,261)</u>		<u>(2,257,066)</u>
FUND SURPLUS, BEGINNING OF YEAR	<u>149,039,112</u>		<u>150,515,919</u>
FUND SURPLUS, END OF YEAR	<u><u>\$ 150,515,919</u></u>		<u><u>\$ 157,294,810</u></u>
<u>Working Capital Surplus/(Deficit)</u>			
Fund Surplus	\$ 150,515,919		\$ 157,294,810
Less Tangible Capital Assets	(232,516,543)		(250,696,908)
Add ARO	7,735,415		7,943,056
Add Long term debt	19,114,418		17,855,750
Add Water Distribution Reserve	8,486,794		11,689,791
Add Wastewater Reserve	10,364,914		13,250,384
Add DC Water & DC Wastewater Cost Charge Reserves	716,129		1,089,591
Add DC Water & Wastewater Network Reserves	1,454,657		2,175,436
Add MPP Reserve	<u>34,912</u>		<u>-</u>
<u>Working Capital Surplus/(Deficit)</u>	<u><u>\$ (34,093,385)</u></u>		<u><u>\$ (39,398,090)</u></u>
Minimum working capital surplus	<u><u>\$ 6,138,957</u></u>		<u><u>\$ 6,513,479</u></u>
= 20% of expenses			