

Report to Council

Report Title:	Brockton 2025 Long-term Debt and Reserve Fund Update		
Prepared By:	Trish Serratore, Chief Financial Officer		
Department:	Finance		
Date:	April 28, 2026		
Report Number:	FIN2026-17	File Number:	C11FIN
Attachments:	N/A		

Recommendation:

That the Council of the Municipality of Brockton hereby receives Report Number FIN2026-17 - Brockton 2025 Long-term Debt and Reserve Fund Update report, prepared by Trish Serratore, Chief Financial Officer for information purposes.

Report:

Background:

The Municipality of Brockton maintains both long-term debt (LTD) and reserve fund balances as part of its overall financial management strategy. Long-term debt is used to finance significant capital infrastructure investments, while reserve funds are accumulated to support future capital needs, mitigate financial risk, and reduce reliance on debt.

Historically, the Municipality's external auditor, John Bujold of Baker Tilly, has recommended that municipalities maintain a minimum ratio of reserve fund balances to long-term debt of **1:1**, meaning that reserve funds should be at least equal to total outstanding long-term debt. This benchmark is considered a prudent measure of financial sustainability and flexibility, ensuring that municipalities are not over-leveraged and have sufficient internal resources to respond to future capital and operational pressures.

Analysis:

The relationship between long-term debt and reserve fund balances is a key indicator of the Municipality's overall financial health and sustainability. This ratio provides insight into the extent to which the Municipality relies on external financing versus internally accumulated funds to support capital infrastructure and service delivery. Maintaining a strong balance between these two components helps ensure financial flexibility, stability, and resilience in the face of future capital demands or economic uncertainty.

As of December 31, 2025, the Municipality's financial position is as follows:

- **Long-term Debt (LTD):** \$21,256,267 *(inclusive of utility-related debt)*
- **Reserve Fund Balance:** \$13,379,770 *(not including proceeds from pending sale of Westario)*

This results in a reserve-to-debt ratio of approximately **0.63:1**, which is below the recommended 1:1 benchmark.

While the Municipality continues to maintain a substantial level of reserves, the current ratio indicates that long-term debt exceeds available reserve funds by approximately \$7.88 million. This position reflects the Municipality's continued investment in critical infrastructure and long-term assets, many of which require significant upfront capital funding.

Key considerations:

- **Financial Sustainability:**
A ratio below 1:1 indicates a higher reliance on debt financing relative to internally available funds. While this can be appropriate in periods of infrastructure expansion, it underscores the importance of long-term financial planning.
- **Risk Exposure:**
Lower reserve fund coverage may reduce the Municipality's ability to respond to unexpected financial pressures without increasing debt levels or impacting future budgets.
- **Capital Planning Strategy:**
The current ratio highlights the importance of continued contributions to reserve funds and careful evaluation of future capital projects. Potential strategies to improve the ratio over time include:
 - Increasing annual reserve contributions;
 - Phasing or prioritizing capital projects;
 - Limiting new debt issuance where feasible.
- **Utility Debt Consideration:**
A portion of the Municipality's long-term debt relates to water and wastewater infrastructure. This utility-related debt is funded through user rates rather than the municipal tax base, which helps mitigate direct financial pressure on general municipal operations.

Staff present this information each year as part of the budget process for Council decision making. We will continue to monitor this ratio as part of the Municipality's long-term financial planning framework and will identify opportunities to strengthen reserve levels and manage debt in alignment with best practices.

Brockton's Community Goals:

The content and recommendations in this report support advancing the priorities to **Build a Better Brockton** in one or more of the following areas: **Heritage, Culture, and Community, Quality of Life, Municipal Governance, Land Use Planning and the Natural Environment**, and/or **Economic Development**.

Financial Impacts/Source of Funding:

- Do the recommendations represent a sound financial investment from a sustainability perspective? Yes

Maintaining awareness of the relationship between long-term debt and reserve funds supports prudent financial decision-making. There is no direct budget impacts associated with receiving this report; however, future budget deliberations may consider strategies to strengthen reserve balances and manage debt levels.

Respectfully Submitted by:

Trish Serratore, Chief Financial Officer

Reviewed By:

Sonya Watson, Chief Administrative Officer