FINANCIAL SUSTAINABILITY IN ACTION

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Canadian Water Network
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Regional collaboration and bundled financing

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The challenge: Funding water infrastructure

Municipal water infrastructure is essential for public health, economic development, and housing growth. Yet many systems across the country have reached an age that requires major upgrades. Nationally, more than 10 percent of drinking water, wastewater, and stormwater assets were rated in poor or very poor condition in 2022. These represent an estimated replacement value of $107 billion.[1] These deficiencies place communities at risk of service failures and limit their ability to support development.

Securing financing for major upgrades is difficult for many municipalities. Smaller or rural communities face strict borrowing limits imposed by provincial governments, which are often tied to their financial capacity and assessment values. They also depend heavily on grant programs, which can vary from year to year. These constraints can delay needed investments and contribute to infrastructure deficits that hinder local housing availability as well as climate and economic resilience. Together, these constraints delay necessary investments and contribute to infrastructure deficits that limit housing supply and weaken climate and economic resilience.

The context: Regional collaboration towards financing

Regional collaboration provides a way to overcome some of these barriers. Working together enables municipalities to access financing beyond traditional grants, align repayment schedules with growth, and strengthen accountability through shared governance and independent risk assessment. Most importantly, collaboration can enable infrastructure investments that individual municipalities would find unaffordable, ensuring safe, efficient, and cost-effective water services that support both current needs and future growth.

The Canada Infrastructure Bank's (CIB) Infrastructure and Housing Initiative (IHI) funding strengthens this financial toolbox. It provides access to low-cost capital combined with private



investment at competitive rates. Its blended interest rate is designed to match or improve on what even strong municipal borrowers can obtain. Since repayments are linked to the pace of development, the IHI reduces near-term pressure on ratepayers and aligns risk with investors. This arrangement allows municipalities to build enabling infrastructure in advance of growth rather than waiting for full cost recovery upfront.[2]

However, smaller municipalities may not qualify for such financing on their own as there is a $50 million project value threshold. To combat this, municipalities can gain access to the fund by joining together as a regional initiative. Bundling portfolios can provide access to capital, reduce borrowing costs, and provide longer repayment terms that align with growth-related revenues. This creates opportunities to upgrade critical water systems in a financially sustainable way.

Case study: Municipal collaboration in rural Manitoba

The experience of Brandon and several surrounding communities in Manitoba demonstrates how collaboration can make otherwise prohibitively expensive projects financially achievable. Brandon needed a major upgrade to its drinking water treatment system to meet regulatory requirements and enable new housing development. With a population of about 47,000 and borrowing limits tied to its assessment base, Brandon could not meet the minimum borrowing limits for CIB's IHI on its own.[3]

At the same time, six nearby rural municipalities were facing wastewater capacity constraints. They formed the Red Seine Rat (RSR) Wastewater Cooperative to construct a modern regional wastewater system that would replace aging lagoons, protect Lake Winnipeg, and accommodate rapid residential and industrial growth. The new system would serve existing residents, support regulatory compliance, and enable significant new residential development.[3]

About Brandon, Manitoba

The City of Brandon, located in southwestern Manitoba, operates a municipally owned and managed water utility that delivers drinking water, wastewater, and stormwater services to a growing urban population. The utility draws its raw water supply from the Assiniboine River and treats it at Brandon's long standing water treatment facility. The facility has served the community since 1893 and continues to undergo significant modernization to meet regulatory standards and future demand.

Brandon's water system is designed to support substantial residential, commercial, and industrial growth. It currently provides clean drinking water to the equivalent of more than 47,000 households. The water treatment facility has a combined nominal design capacity of 54 million litres per day, which enables the utility to meet present and projected water needs.

The City also maintains and operates an expanding wastewater system, which includes two wastewater treatment facilities, five lift stations, and approximately 14,700 individual water service connections.[4]

When the CIB evaluated the two projects together, the combined value met the Bank's minimum financing threshold. This bundling approach unlocked financing that neither Brandon nor the Cooperative could access individually. The communities secured favourable long-term financing with repayment terms linked to growth-related revenues such as serviced land development. Local credit unions also participated, which increased local confidence and supported broader regional economic development.[5]

The benefits of the partnership were notable. Municipalities gained the financial certainty they needed to plan for residential, commercial, and industrial development. The project reduced nutrient discharges into Lake Winnipeg, which supported environmental objectives. Independent risk assessments and cooperative governance helped councils and residents trust the process, and the collaboration helped develop housing-enabling infrastructure, which would not have been feasible if each municipality had acted alone.[6]

This project also demonstrates the practical application of the IHI model. By pricing repayments to growth, the CIB shifted the revenue risk away from municipalities and toward investors. If growth occurred more slowly than expected, the municipality would not face immediate financial strain. This feature enabled Brandon and the Cooperative partners to build infrastructure ahead of demand and avoid delays that would have limited housing development and economic opportunities.[2]

Project outcomes

With support from the CIB, Manitoba's regional partnership secured up to $140 million in financing for drinking water and wastewater projects. Additional support from the Government of Manitoba (more than $71 million in funding) and Housing, Infrastructure and Communities Canada strengthened the projects. This approach also demonstrated how municipal coordination with a provincial government can amplify the impact of collaboration.

The financing and funding support the delivery of Brandon's water treatment upgrade and the new regional wastewater system for the RSR partners. Together, the partners are positioned to enable nearly 78,000 new housing units. The expanded capacity strengthens regulatory compliance, reduces environmental impacts, and supports industrial growth across the region. This approach helps smaller rural municipalities access opportunities more typical of larger urban centers.

Collaboration can create financial and operational pathways that individual municipalities cannot access alone. Working together improves eligibility for institutional



financing, distributes risk, promotes environmental protection, and accelerates housing development.

The IHI helped the partners build sooner and maintain long-term affordability, demonstrating how innovative financing can support regional collaboration. It eases immediate pressure on water and wastewater rates, preserves municipal borrowing capacity, and aligns infrastructure investment with future development.

Key takeaways

- **Use regional collaboration to unlock major funding.** Coordinate efforts across municipalities to access large-scale provincial and CIB investments. This approach secured over $211 million to advance critical water and wastewater upgrades.
- **Invest in infrastructure to enable growth and environmental protection.** Direct funding toward cleaner water, improved wastewater treatment, and the capacity needed to support new homes.
- **Align all orders of government to strengthen outcomes.** Leverage coordinated provincial and federal support to amplify municipal efforts and demonstrate how intergovernmental alignment accelerates project success.
- **Expand treatment capacity to boost rural competitiveness.** Increase system capacity so smaller municipalities can attract industry, meet regulatory standards, and compete more effectively with larger urban centres.
- **Use collaboration to create stronger financial pathways.** Work together to access institutional financing, distribute risk, and support environmental protection to secure opportunities that are often unavailable to municipalities acting independently.
- **Apply CIB's Infrastructure for Housing Initiative to support affordability.** Use IHI tools that link repayment to growth, provide favourable financing, and enable municipal subsidiaries to strengthen long-term affordability.
- **Combine innovative financing with regional cooperation for durable solutions.** Pair advanced financing models with collaborative planning to transform fragmented infrastructure challenges into shared, sustainable, long-term outcomes.

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Further reading

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