Local Government Infrastructure Cost Pressures

Local governments of all sizes are facing challenging decisions about how to finance necessary upgrades and maintenance of critical infrastructure. Here are four examples from B.C. communities that illustrate challenges with infrastructure cost pressures stemming from diverse factors.

District of Tofino

National wastewater regulations require the District to invest in a secondary treatment facility. Based on a 2019 cost estimate of $55 million, Tofino obtained ICIP* funding of $40.2M and was approved to borrow $16M, the maximum borrowing allowed under provincial legislation.

In 2020 tendering, the lowest qualifying bid was for $82M, leaving a $25M gap. The District has been able to negotiate a lower cost for the project, but the borrowing necessary puts a $833/year debt servicing burden on Tofino's 1,200 households.

Based on current provincial borrowing limits, Tofino will be "maxed out" on borrowing for 25 years to fund a single project driven by national regulations. At the same time, Tofino faces the need to finance other infrastructure for a growing population and tourism economy, along with resilience to climate events.

* Investing in Canada Infrastructure Program

District of Lillooet

The District has developed its Asset Management System and assessed the funding requirements for asset replacement over the next 30 years. Lillooet's assets have a combined replacement value of $93 million with asset health rating of 79%.

Over the next 30 years the capital cost to replace the District's assets is forecasted to be between $2.7 million and $3.2 million per year in 2023 dollars.

The current property tax-funded budget for asset replacement is $675,000: about $350/year for a typical Lillooet home, or 16% of the total $2,223 taxes and charges paid each year. Covering the forecasted asset replacement needs will cost $2,600 to $2,900 per year per household instead of $350/year.

Lower levels of funding will result in higher risk of asset failure and service interruptions. New housing growth will add to these funding challenges.

Town of Smithers

The Bulkley River banks are showing increased erosion at several points in the Town of Smithers which may be linked to climate change. This erosion threatens housing and other built infrastructure and may have significant impacts on the river's flow and fish habitat.

At one point in the river, erosion threatens the south end of the regional airport runway. The Town is undertaking geotechnical work to better understand the slope instability and identify options. Preliminary cost estimates were up to $8 million for measures to prevent catastrophic slope failures at the airport and 3 other erosion points. Total property tax revenues are approximately $8.6 million per year, and the Town's 2023 Capital Projects Budget already shows $16 million in other projects in 2023 to address water, wastewater, roads and facilities systems.

This example illustrates the growing additional burden that climate change places on the infrastructure and asset management funding situation in communities.

Metro Vancouver

Upgrading the Iona wastewater facility from primary to secondary treatment by 2030 is required under national wastewater regulations. The facility serves 750,000 residents in one of four sewerage areas in the regional district.

The estimated project capital cost is $10.4 billion, plus higher ongoing operating costs. Funding the project will add $350 per year (double the current cost by 2027) to the liquid waste service fee for the average household in the Vancouver sewerage area, as well as cost increases to business and industrial taxpayers.

Liquid waste service fees add to the cumulative cost increases (regional district, municipal and TransLink) facing residents and businesses for essential infrastructure and services in B.C.'s largest urban area. The multi-agency environment makes it harder to assess cumulative impacts on affordability.