

February 7, 2022

Capital Asset Management: How Does it Relate to Nakusp?

The Village works to set aside money every year to pay for the future renewal and replacement of our Capital Assets. Capital Assets are large pieces of equipment and infrastructure, like: roads, waste water (sewage) systems, and buildings. We set aside money in different reserve funds for the purpose of replacement and renewal our Capital Assets. These reserve funds are protected and cannot be used for anything else other than what they were collected for.

Example of utilities that are major Capital Assets: Water and Sewage Distribution and Treatment Systems

The Village charges water and sewer users (through utility bills) for water and sewer services each year (your bill will come in mid February). Most of what you pay covers the actual costs to provide clean drinking water, or remove sewage and treat it to protect the health of people and the environment.

Another small part of your utility bill is money put towards each water and sewer reserve fund. Reserve funds are created to eventually pay for the replacement of every pipe, pump, and facility used provide you the services it is dedicated to; in this instance I am referring to the Water System and Sewer System (also call Waster Water Treatment System).

This is an important aspect of Capital Asset Management – ensuring there is money to cover the costs when our infrastructure needs to be replaced. We should be collecting enough money, over time, to eventually pay for the replacement of every piece of infrastructure we have.

Curious to know what the total values of our Water and Sewer infrastructure are?

Water Treatment and Distribution System

\$16,590,900

Sewage Treatment and Collection System

\$13,785,700

That is a lot of money, however, the good news is that we don't have to replace the entire systems today, nor will every piece of each system have to be replaced all at once. The bad news is that we are nowhere near to the levels we need to have in our reserve funds so that we can replace/rehabilitate the Capital Assets when the time comes. Most of the annual increases to your utility bills are meant to increase the amount of money being placed in each reserve to eventually achieve this goal.

I will speak to this in greater detail in a later post. However, for the next post, we will explore Capital Asset Management in greater detail, using an analogy most of us can relate to.