



## District of Maple Ridge

# A Guide to the Capital Works Program

The Capital Works Program is a long-range (20 year) corporate work program that identifies proposed capital expenditures over the duration of the program. Program funding is allocated from a range of sources including general revenue, development cost charges, water utility, sewer utility, capital works, and other reserves.

The recently endorsed infrastructure funding strategy and financial plan bylaw are the financial underpinning of the program. A balance needs to be drawn in the structuring of the Capital Works Program to optimize cost effectiveness and to address both the short-term and long-range community infrastructure needs in a way that supports the Corporate Strategic Vision, the Official Community Plan policies and other corporate objectives in a timely manner based on the District's capacity to provide needed resources.

The District acquires infrastructure and specialized facilities by either constructing or purchasing them or by way of inheriting them from the development community. New infrastructure (services/utilities) adds to the District's assets each year as additional capital infrastructure and new development services become part of the municipally managed inventory. As the infrastructure inventory increases the District must address ongoing maintenance and system long term replacement. Infrastructure management is an important challenge for the District. The operating budget addresses infrastructure maintenance costs (repairs and rehabilitation) but not the replacement costs required once the infrastructure ages. A well scheduled and adequately funded program for the timely replacement of infrastructure is critical if the District is to meet its sustainability objectives.

Sustainability is a term associated with infrastructure management. As identified in the Engineering Department business plan, sustainability means *"providing services to meet the needs of the community today without compromising the ability of future generations to benefit from similar services."* Sustainability is promoted through comprehensive planning, renewal, and replacement strategies that also take into account the District's ability to provide resources.

Most simply put, *asset management* is a structured program to optimize the life-cycle value of the local government's physical assets. For infrastructure, it usually applies to servicing system assets and may be referred to as *infrastructure management*. Its main components are:

- **Smart investment**—Minimize initial investments, and invest in assets with the lowest life-cycle ownership costs that meet your service level objectives.
- **Smart maintenance**—Replace reactive maintenance with planned maintenance, and move fixed-interval planned maintenance toward predictive and on-condition maintenance.
- **Smart refurbishment**—Extend the life of your assets through cost-effective refurbishment programs.
- **Smart replacement**—Replace your assets based on known condition, neither too early nor too late.
- **Smart financing**—Put in place now the financial policies that will ensure the integrity of your infrastructure well into the future.
- **Smart planning**—Do all this proactively within a structured forward-looking framework, involving all parts of your organization.

A local government that practices good asset management can minimize its long-term costs and ensure the most basic and important element of good customer service, namely:

### ***The reliable, cost-effective, and uninterrupted delivery of quality service to customers***

Another important consideration in the development of the Capital Works Program is *risk management*. Managing or mitigating risk by means of thoughtfully considered and scheduled maintenance, upgrading, and replacement of infrastructure is crucial in the successful development, structuring, and funding of capital works and other operational support programs. In order to develop and implement these programs effectively, municipal staff needs to have a sound understanding of the following:

- What infrastructure does the District manage?
- What is the condition of that infrastructure?
- What techniques and technologies are available to help manage the infrastructure?

- What is the replacement (asset) value of the infrastructure?
- What resources are available to manage the infrastructure?

To meet the challenges of managing infrastructure and mitigating risk, local government needs to continually revisit the merits of new management and financing strategies and to then implement those strategies best able to deliver performance and results in the business areas. Management strategies should initially focus on those business areas most risk sensitive or vulnerable to claims or challenges. Asset management is emerging as an increasingly important tool in this regard. Managing assets requires that the District track the costs of construction and land values more aggressively in what has emerged as a rapidly escalating marketplace. Financial strategies need to be revisited regularly and could perhaps include more aggressive consideration of local improvements, specified areas, borrowing, development works and comprehensive development agreements, and a variety of partnership approaches. Innovative financing approaches may provide opportunities to look at new, different and beneficial ways to finance Capital Works Programs in the future.

The business planning process provides council and staff with the opportunity to address issues of significance relating to legislation, corporate strategic focus, servicing philosophy, methodology, structuring and priorities in the preparation of a Capital Works Program. The exercise must also take into consideration the local government's ability to fund a program as reflected in the five-year financial plan. The annual business planning exercise addresses changes in the Official Community Plan, financial forecasts, development trends, demographics and other issues of relevance to the community.

The identification, scoping, design, construction/implementation of capital projects within the framework of Council approved budgets is the responsibility of the department having expertise in the business area.

Oversight responsibility for the Capital Works Program and the financial underpinnings of the program is vested with the Corporate Management Team. The Capital Works Program is compiled by staff from information provided by the departments and special committees. The financial administration of the five-year financial program is vested with the Finance Department under terms and conditions of *Part 9, Division 1, Sections 327/338 of the Local Government Act*.

### **Capital Works vs. Operating Works**

#### **Capital Works** (*Local Government Act Section 496*)

Expenditures for or in respect of capital projects and land, machinery or equipment necessary for capital projects and extension or renewal of existing capital works

#### **Operating**

Expenditures for or in respect of the maintenance (repair and rehabilitation) and operation of existing infrastructure (land, machinery, equipment, services, and facilities)

### **Strategic Framework—Regional Programs Considerations**

- Provincial "*Local Government Act*"
- Federal and Provincial Programs
- Regional Growth Strategy
- Livable Regions Strategic Plan (LRSP) - GVRD

### **Regional Infrastructure Strategies**

- GVWD - Joint Supply Water Scheme
- GVSDD – Liquid Waste Management Plan
- GVRD Parks - Regional Park Plan
- TransLink – Major Road Network (MRN)

### **Local Government Considerations**

The Corporate Strategic Plan (Council), municipal policies (bylaws) including Official Community Plan Bylaw No. 6425-2006 that sets out policies and direction in respect of a wide range of community interests including growth management, neighbourhoods and housing, community services, natural features, employment, transportation, and municipal services.

**Program Contributors**

- Council
- Administration
- Community Development, Parks & Recreation Services Division
- Corporate & Financial Services Division
- Public Works & Development Services Division

**Program Expectations**

Departments prepare capital project requests and amendments for their business areas based on the District's business planning guidelines. Departments also address inputs and interests of third parties (development and business communities, school district, parent action committees, customers, etc.). Capital projects must be strategically aligned and supported by strong business cases. Annual business planning is the exercise used to capture capital works requirements and identify changes in operating costs.

**Program Development**

New capital projects and amendments to existing capital projects are compiled in the Capital Works Program by staff and then reviewed, adjusted and endorsed by the Corporate Management Team. Capital project priorities are recommended by the departments for their business areas. Project expenditure lists for the proposed five-year Capital Works Program are developed based on the District's financial management strategy (current financial position, revenue projections, etc.). A five-year Capital Works Program is reviewed and vetted by the Corporate Management Team for consistency with corporate objectives and revenue/expenditure targets. The Capital Works Program is then presented for Council endorsement.

**What infrastructure does the District manage?**

Waterworks Distribution System, Sewage Collection System, Drainage Systems and Facilities, Highway Network and Traffic Control Devices, Equipment and Facilities for Fire, Police Protection, Parks, Recreation, Government Services, and Information Technology.

**What is the replacement value of the infrastructure?**

- Replacement Value exceeds \$750,000,000

**What resources (key funding sources) are available to manage the infrastructure?**

General Revenue, Development Cost Charges, Water Utility, Sewer Utility, Capital Works Reserve, Machinery/Equipment Replacement Reserve, Fire Equipment Replacement Reserve, Fire Department Capital Assets Acquisition Reserve, Recycling Capital Acquisition Reserve, Information Services Equipment Replacement Reserve, and Local Improvement and short and long term Debt Financing.

**This pamphlet is provided only as a general guide. For further information relating to the process, contact:**

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