



## Corporation of the Township of Brock

### Staff Report to the Mayor and Members of Council

**From:** Trena DeBruijn  
**Position:** Director of Finance/Treasurer  
**Title / Subject:** Asset Retirement Obligations  
**Date of Report:** May 8, 2023  
**Date of Meeting:** May 8, 2023  
**Report No:** 2023-FI-007

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#### 1.0 Issue / Origin

The purpose of this report, in conjunction with the staff presentation, is to provide Council with information on a new Public Sector Accounting Board standard related to Asset Retirement Obligations and to seek approval to issue a Request for Quotes to obtain assistance in meeting this requirement by year-end.

#### 2.0 Background

In March 2018, the Public Sector Accounting Board approved a new accounting standard ("PS 3280") covering asset retirement obligations and all public sector entities, including municipalities, must comply for fiscal years ending beginning after April 1, 2022. As the Township of Brock's fiscal year ends December 31st, the Township must be in a position to comply for year-end December 31, 2023.

#### 3.0 Analysis

PS 3280 defines asset retirement obligations as a "legal obligation associated with the retirement of a tangible capital asset".

If there is a requirement for a municipality to retire, dismantle or remove an asset, through legislation, by-law, regulation, contract or other binding commitment, then the asset retirement will fall under this new standard. Routine replacement is excluded from this obligation (example, the routine replacement of infrastructure assets such as bridges, roads, sewer systems).

The asset retirement obligation must be identified, quantified and recognized in the Township's financial statements as a liability with an increase to the carrying amount of the tangible capital asset. The retirement cost is then expensed over the useful life of the asset.

While not an exhaustive list, possible examples of asset retirement liabilities for the Township may include:

- Asbestos in Buildings
- Landfill Sites
- Fuel Storage Tanks
- Lead Pipes
- End of Lease Requirements
- Septic Tanks
- Inactive Water Wells

As this is a new requirement for municipalities and as the timeline for completion is quite tight, staff suggest that consulting assistance be obtained in 2023 to complete this work for year-end 2023. Once any obligations been identified and a process developed, staff will be able to update and maintain the requirements going forward.

#### **4.0 Related Policies / Procedures**

Staff have drafted a new policy, attached to this report, related to Asset Retirement Obligations. This policy has been reviewed by the Township's auditors as well as with all Senior Staff.

#### **5.0 Financial / Budget Assessment**

The 2023 budget contains funding of \$15,000 for Asset Retirement Obligation assistance. It is likely that the work required will exceed the funding of \$15,000 for 2023 and staff suggest a reallocation of budget to allow this work to proceed.

The 2023 budget contains \$50,000 for an Asset Management Update. Staff suggest that the Asset Management Update be started in 2023 and continued in 2024 and that additional funds be allocated to finish the update in the 2024 budget.

The total to be reallocated will depend upon the RFQ submissions, however, staff are under the opinion that a reasonable budget for the work required for Asset Retirement Obligations is approximately \$45,000. This would require a reallocation of approximately \$30,000 from the Asset Management Update, leaving a balance of approximately \$20,000 to start the Asset Management Update in 2023. Additional funds to complete the Asset Management update will be budgeted in 2024.

Staff will prepare and release a Request for Quotations ("RFQ") for competitive quotes.

#### **6.0 Climate Change Impacts**

There are no immediate climate change impacts with respect to approval of this report.

#### **7.0 Communications**

N/A

#### **8.0 Conclusion**

It is recommended that Council approve this report and provide authorization to staff to prepare an RFQ to obtain quotes to enable completion of the work required under this new standard for fiscal year-end December 31, 2023.

#### **9.0 Recommendation**

BE IT RESOLVED THAT Report 2023-FI-007, "Asset Retirement Obligations", be received; and

THAT Council authorize staff to prepare an RFQ for consulting service relating to the requirements under the Asset Retirement Obligations standard; and

THAT Staff report back on the results of the RFQ and award of service, taking into consideration the appropriate funding source.