

Asset Retirement Obligation Update and Funding Strategy

Council Meeting
April 9, 2024

Introduction

- The new Public Sector Accounting Standard for Asset Retirement Obligations (ARO) has come into effect
- Impacts Strathcona County's Financial Statements for the year ending December 31, 2023 and onward
- Providing an update on estimated liability costs and a proposed funding strategy

ARO refresher



Requires the County to identify legal obligations associated with the retirement of tangible capital assets



Initially measured when the legal obligation becomes known



Not the same as contaminated sites

ARO liabilities - approach

- ➔ Engaged the external financial auditors when developing the methodology utilized
- ➔ Methodology reflects management's best estimate and uses professional judgement, third-party quotes and several assumptions
- ➔ Worked in partnership with Fleet and Facility Management, Human Resources, Corporate Asset Management and other key operational departments
- ➔ Identified which contaminants the County is legally required to remediate upon demolition or replacement of an asset and which facilities to assess

ARO liability

for the year ended December 31, 2023

\$11.2M

Total ARO liability that will be included in the 2023 Financial Statements

81

Number of facilities represented



Tax impact was considered in the proposed funding strategy

Proposed funding strategy

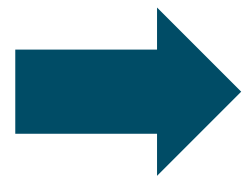
as of December 31, 2023

Amount	Budget Impact	Strategy
\$8.1M ● \$0.1M ●	Capital within 10-year capital budget plan	<ul style="list-style-type: none"> • Infrastructure renewal and replacements • Incorporate capital funding gap into the 10-year plan • Funding source: capital funding envelope
\$2.2M ●	Capital beyond the 10-year capital budget plan	<ul style="list-style-type: none"> • Infrastructure renewal and replacements • Incorporate ARO impacts into the capital planning process for these projects
\$0.8M ●	Operating (one-time)	<ul style="list-style-type: none"> • Demolition with no replacement plans • Minimize taxpayer impact with a one-time 2023 surplus allocation of \$750K to reserve (FSS recommendation) • Funding source: surplus
variable	Operating (ongoing)	<ul style="list-style-type: none"> • Ongoing inflationary costs • Annual reserve contribution added to future budgets • Funding source: tax impact

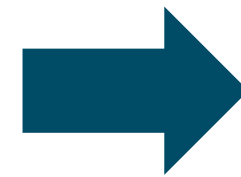
Recommendation

Administration recommends Council approve a one-time 2023 surplus allocation of \$750,000 to reserve to cover asset retirement obligation costs.

Next steps



Ongoing additional
third-party assessments
of County infrastructure



Annual re-measurement
of ARO liability



Continued engagement with
County partners to ensure
liability is extinguished upon
completion of remediation work



Monitor available funding
on an ongoing basis

Questions?