

ADMINISTRATION POLICY:

Canada Public Sector Accounting Standards (PSAS) 3260 Liability for Contaminated Sites

Policy Number: GN-042
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Approved By: Administrative Leadership Team
Department / BU: Chief Financial Officer's Department, Finance

BACKGROUND

1.0 The City of Calgary ("The City") is required to present its annual financial statements in accordance with the Generally Accepted Accounting Principles ("GAAP") established in the Chartered Professional Accountants (CPA) of Canada Public Sector Accounting Standards ("PSAS"). Fulfilling this requirement includes accounting for and reporting liabilities related to remediation and management of contaminated sites.

Alberta's [Environmental Protection and Enhancement Act](#) ("the Act") together with the regulations, guidelines, codes and standards established thereunder, establish the regulatory framework governing environmental standards and regulatory liability applicable to contaminated sites in Alberta.

PURPOSE

2.0 The purpose of this policy is to establish a governance framework for the management, financial accounting and reporting of liabilities associated with contaminated sites in accordance with PSAS 3260: *Liability for Contaminated Sites*.

DEFINITIONS

3.0 For the purposes of this policy:

- (a) "Applicable Law" means all statutes, regulations and bylaws, together with any subordinate permits, licenses, approvals, authorizations, consents, directives, orders, policies, guidelines, standards, rules, interpretations and other requirements of any federal, provincial, municipal or other governmental or quasi-governmental body, agency, commission, court, tribunal or authority having jurisdiction and lawfully empowered to make, issue, impose or enforce laws with respect to Contamination or Contaminated Sites.

- (b) “Asset Retirement Obligation” means liabilities associated with the retirement of long-lived Tangible Capital Assets that are in Productive Use.
- (c) “Contaminated Site” means a titled parcel of land owned by The City where substances occur in concentrations exceeding the maximum acceptable amounts under an Environmental Standard are present in, on or under the site.
- (d) “Contamination” means the presence of a “substance”, as defined in the Act, in land or water that exceeds an Environmental Standard, but does not include airborne substances in the atmosphere that have not been introduced into land or water.
- (e) “Consolidated Related Entities” means organizations accountable for the administration of their financial affairs and resources to The City who are controlled by The City and consolidated in The City’s annual financial statements, excluding ENMAX Corporation which is accounted for using the modified equity method.
- (f) “Contaminated Sites Inventory” means the list of Contaminated Sites that are managed by Environmental & Safety Management.
- (g) “Environmental Standard” means any regulatory requirement under Applicable Law which prohibits Contamination or establishes a qualitative or quantitative limit on the presence of Contamination.
- (h) “Financial Reporting Date” means December 31 of each calendar year.
- (i) “Future Economic Benefit” means The City expects to incur costs related to remediation activities in the future.
- (j) “Legal Liability” means a legally enforceable liability of The City for the Contaminated Site as a matter of:
 - i. Applicable Law;
 - ii. A contract or other agreement in writing;
 - iii. Common law principles; or
 - iv. Actions evidencing a clear and unequivocal intention by The City to assume responsibility for the Contamination.
- (k) “Non-Productive Site” means the Contaminated Site is not in Productive Use.
- (l) “Productive Site” means the Contaminated Site is in Productive Use.
- (m) “Productive Use” means the land use or current operations of the Contaminated Site are consistent with the use or uses that resulted in the Contamination present in, on or under the site.

- (n) "Remediation" means the improvement of a Contaminated Site to prevent, minimize or mitigate damage to human health or the environment. Remediation involves the development and application of a planned approach that removes, destroys, contains, or otherwise reduces the risk to acceptable levels. A remediation program may include actions to investigate, assess, monitor, risk manage or remediate a Contaminated Site.
- (o) "Remediation Costs" means all costs directly attributable to the Remediation of a Contaminated Site to the applicable Environmental Standard to bring the site up to the current minimum standard for its use prior to contamination. Costs would include post-remediation operation, maintenance and monitoring that are an integral part of the remediation strategy for a Contaminated Site.
- (p) "Reported Liability" means the estimated Remediation Costs for a Qualifying Contaminated Site to be accounted for and reported pursuant to PSAS 3260.
- (q) "Qualifying Contaminated Site" as defined in section 5.2 of this policy.

POLICY

4.0. Scope/Exceptions

4.1. Scope

- 4.1.1. This policy applies to all Business Units and Consolidated Related Entities.

4.2. Exceptions

- 4.2.1. This policy does not apply to:

- i. Productive Sites;
- ii. Liabilities for closure and post-closure of solid waste landfill sites addressed by PSAS 3270 (Solid Waste Landfill Closure and Post-Closure liability);
- iii. Asset Retirement Obligations;
- iv. Precautionary Measures;
- v. Contaminated Sites that are Non-Productive Sites for which The City does not accept responsibility; or
 - i. Contaminated Sites that are Non-Productive Sites for which The City is not expected to forego Future Economic Benefits.

5.0. Reported Liabilities

- 5.1. The City will review, recognize, account for and report a Reported Liability for Qualifying Contaminated Sites as at the Financial Reporting Date for each calendar year.
- 5.2. “Qualifying Contaminated Site” means any Contaminated Site with Contamination that exceeds an Environmental Standard for which The City is directly responsible or has accepted responsibility, where future economic benefits are expected to be given up, and where a reasonable estimate can be made of the amount for which The City must report a Reported Liability, all in accordance with PSAS 3260, including:
 - i. Non-Productive Contaminated Sites;
 - ii. Productive Contaminated Sites where there is an unexpected event resulting in Contamination; and
 - iii. Contaminated Sites where The City has an immediate legal obligation to undertake Remediation pursuant to Applicable Law.

6.0 Contaminated Sites Governance

- 6.1. The Administrative Leadership Team (“ALT”) is ultimately responsible for the oversight, governance of, and adherence to, this policy. The ALT may delegate, in whole or in part, this responsibility to any competent individual or group.
- 6.2. The Chief Financial Officer (“CFO”) is the ultimate authority on all matters related to corporate financial accounting and reporting of the Reported Liabilities for Qualifying Contaminated Sites. The CFO may delegate, in whole or in part, to any competent individual or group, the authority to interpret this policy, resolve disputes and determine appropriate corporate financial reporting practices for Reported Liabilities.
- 6.3. The Director of Environmental and Safety Management (hereinafter the Director) is the ultimate authority on all matters related to the site assessment work plan, the Remediation of Contaminated Sites, and the estimation of Remediation Costs. The Director may delegate, in whole or in part, this responsibility to any competent individual or group.
- 6.4. The City Solicitor is the ultimate authority on all matters related to the assessment of Legal Liability for Contaminated Sites. The City Solicitor may delegate, in whole or in part, the responsibility for conducting Legal Liability assessments to any lawyer.

- 6.5. Finance and Environmental & Safety Management shall establish supporting procedures regarding, the management and, respectively, the financial accounting and reporting of Contaminated Sites. All parties with responsibilities under this policy must adhere to these supporting procedures.

7.0 Contaminated Sites Roles and Responsibilities

7.1. Business Unit Responsibilities

- i. An Administration Policy is to be put in place acknowledging the roles and responsibilities for each business unit(s) for contaminated site management. Environmental & Safety Management, with the collaboration of the other business unit(s), becomes aware of actual or potential Contamination within land, soil or water.
- ii. Business units that have caused contamination will fund the Remediation of the Contaminated Site.
- iii. Where a business unit cannot be identified as having caused the Contamination, the business unit that is designated as the steward of the Contaminated Site is responsible for funding its Remediation unless other funding sources are made available.

7.2. Environmental & Safety Management Responsibilities

Responsibilities include:

- i. To maintain an up-to-date Site Information Management System database, within which all Contaminated Sites shall be recorded, with business unit responsibility assigned in accordance with Section 7.1 at minimum in May, September, and December each year.
- ii. The maintenance of the Contaminated Sites inventory, and the provision of an annual list of known Contaminated Sites, including the estimated Remediation Costs for Qualifying Contaminated Sites and all necessary presentation and disclosure information, to Finance.
- iii. Providing advice and information regarding the management and Remediation of Contaminated Sites to the responsible business unit.
- iv. Implementing the Remediation for PSAS 3260 Qualifying Contaminated Sites in accordance with this policy on behalf of the responsible business unit.

7.3. Finance Responsibilities

Responsibilities include:

Overseeing The City's compliance with this policy, including the presentation and disclosure of Reported Liabilities for Qualifying Contaminated Sites in The City's annual financial reports, in accordance with PSAS 3260.

7.4. Law Department Responsibilities

- i. As required, assess The City's Legal Liability for Contaminated Sites. The Law Department will prepare a legal memorandum setting out a legal opinion as to whether The City is either directly responsible or accepts responsibility for the Contamination present in, on or under a Contaminated Site where:
 - a) the Contamination exceeds an Environmental Standard, and
 - b) the Contaminated Site meets the conditions in sections 5.2.i, 5.2.ii, or 5.2.iii of this policy.
- ii. The Legal Liability assessment will be based upon a due diligence review of the Contaminated Site and a legal analysis of the law pertaining to the Contaminated Site and the Contamination.

8.0 Consequences of Non-Compliance

- 8.1. Failure to adhere to this policy may result in disciplinary action, up to and including termination of employment.

SUPPORTING REFERENCES AND RESOURCES

Please note that some of the items listed below may not be publicly available.

References to related corporate-wide procedures, forms and resources

- Supporting Procedures for the Administration Policy for PSAS 3260 Liability for Contaminated Sites

Other references and resources

- The Environmental Protection and Enhancement Act (Alberta)
- CPA Canada Public Sector Accounting Standards
- International Financial Reporting Standards

Revision history

Review Date	Description
2017/01/2017	Due for review.
2014/01/2014	Review
< 2016/09/30 >	New Policy