



Department of Finance
Office of the Deputy Minister



MEMORANDUM

DATE: November 22, 2023

TO: Currie Dixon
Chair, Standing Committee on the Public Accounts

FROM: Jessica Schultz
Deputy Minister of Finance

RE: Reports relating to April 2023 Fourth Report Recommendation #5 and #6

On April 17, 2023, the Standing Committee on Public Accounts issued several recommendations in response to its hearing on the 2021-22 Public Accounts. These recommendations included:

Recommendation No. 5: THAT the Department of Finance report back to the committee by October 31, 2023, with an analysis of the implementation of the change from PS 3270 to PS 3280 as it pertains to solid-waste landfill closure and post-closure liabilities for landfill sites.

Recommendation No. 6: THAT the Department of Finance report back to the committee by October 31, 2023, with an analysis of the year-over-year balance of the Carbon Price Rebate Program Revolving Fund.

As the Yukon Public Accounts 2022-23 have been tabled earlier today, I am pleased to provide the attached reports that address these two recommendations. Should you have any questions regarding the contents, please feel free to raise them during the hearing on Friday when these recommendations are being discussed.

Thank you for your consideration in this matter.

Sincerely,



Jessica Schultz

Attachments 2



**Department of Finance
Office of the Comptroller**

Request:

That the Department of Finance report back to the committee by October 31, 2023, with an analysis of the implementation of the change from PS 3270 to PS 3280 as it pertains to solid-waste landfill closure and post-closure liabilities for landfill sites.

Reply:

The Yukon Government owns and operates 23 landfills. Landfills fall under the *Environmental Act (Yukon) – Solid Waste Regulations* so are required to have closure plans which create a legal obligation to perform certain closure and post-closure activities. An external consultant is retained every three years to update the estimated cost of the closure and post-closure activities. The estimate is based on the net-present value of the expected future cash flows to pay for the closure and post-closure activities.

Note 13(b) Landfill sites on page 54 and the table on page 55 of the 2021-22 Public Accounts indicate 28 landfills with liabilities of \$12,283,000. Of these landfills only 23 qualified as AROs, the remaining 5 dumps were never operated as landfills so do not fall under the *Environmental Act (Yukon) – Solid Waste Regulations*. Those five dumps and their related liabilities of \$2,043,000 have been reallocated to the Contaminated Sites liabilities under PS 3260.

Prior to PS 3280 Asset Retirement Obligations (ARO), the Yukon Government followed the guidance in PS 3270 Solid Waste Landfill Closure and Post-Closure Liability (PS 3270) to account for landfills. Based on the similarities between solid waste landfill sites and other AROs, the Public Sector Accounting Board repealed PS 3270 and included solid waste landfills in the scope of PS 3280. Effective from April 1, 2022, the implementation date of PS 3280, solid waste landfills will be accounted for based on the same guidance as other asset retirement obligations.

Under PS 3270, the closure and post-closure estimated liability was recognized incrementally as each landfill site's capacity was used. Full liability would be recognized by the time the site reaches the end of its life. As of March 31, 2022, a liability of \$10,240,000 was reported in the financial statements.

With the adoption of PS 3280, PS 3270 was repealed so as a result, the Government's existing environmental liabilities for the 23 landfills were zeroed and new ARO liabilities determined based on the guidance in PS 3280. Under PS 3280, the full liability was recognized upon implementation of the Standard, which effectively accelerated the timing of the recognition of the liability.

For April 1, 2022, the ARO liability for landfills was estimated at \$16,279,000. This represented a net increase of \$6,039,000 in booked liability and had an equal negative effect on net financial debt. At the same time landfill ARO assets were recorded with a Net Book

Value of \$2,411,000. The balance of \$3,628,000 decreased accumulated surplus as the net landfill impact of the implementation of the new standard.

In the fiscal year ending March 31, 2023, accretion expense of \$407,000 and amortization expense of \$82,000 were recorded in the statement of financial operations. In addition, a reduction in estimate of the ARO Liability of \$1,167,000 and ARO Asset of \$ 603,000 was recorded that reduced the ARO liability to \$15,519,000 and ARO net book value to \$1,726,000 as of March 31, 2023.

The table inserted below shows the flow of transactions related to the transition from PS 3270 to PS 3280 and the net impact on the financial results for 2022-23, namely that the transition had a negative impact of \$5.3 million on net debt and a positive impact of \$1.7 million on net-book value of tangible capital assets, which netted to a negative impact on accumulated surplus of \$3.6 million.

Prepared by:


Raffaello (Ralph) D'Alessandro

Continuity Schedule for Landfill Closure and Post-Closure Estimated Liability

During the Transition from PS 3270 to PS 3280

(Thousands of Dollars)

	Environmental Liabilities	ARO Liabilities	Net Financial Asset (Net Debt) Position	Tangible Capital Assets - NBV	Accumulated Surplus (Deficit) Position
Closing balance as at March 31, 2022	12,283	-			
Repeal PS 3270	(10,240)	-	10,240	-	10,240
Adopt PS 3280		16,279	(16,279)	2,411	(13,868)
Adoption's impact on opening balance as at April 1, 2022	2,043	16,279	(6,039)	2,411	(3,628)
Accretion Expense		407	(407)		(407)
Amortization of ARO asset			-	(82)	(82)
Change in Estimate		(1,167)	1,167	(603)	564
Adoption's impact on closing balance as at March 31, 2023	2,043	15,519	(5,279)	1,726	(3,553)



Department of Finance
Office of the Comptroller

Request:

That the Department of Finance report to the committee by October 31, 2023, with an analysis of the year-over-year balance of the Carbon Price Rebate Program Revolving Fund.

Reply:

Inserted below is the same chart that is included in the Public Accounts' Financial Statements Discussion and Analysis section. The chart depicts the cash flow that has occurred since the inception of the Carbon Price Rebate Revolving Fund (CRRF). Since the first receipt in 2019-20, \$64.3 million has been received from the Government of Canada while during the same time frame \$39.4 million has been distributed to eligible groups leaving \$24.9 million as the outstanding liability to be distributed. The undistributed portion represents 38.7% of the total received. Closer review will reveal that there is a distinct separation between the categories of eligible groups that falls into a 'push' or 'pull' payment method.

In the 'push' category we find the allocations for individuals, municipal governments and First Nations which are distinguished by the fact that the Government of Yukon can push payments out to these groups. Either through direct payments through the government's payables system or through arrangements with the Canada Revenue Agency (CRA), the government can initiate the payment process to ensure the funds are distributed in a timely manner. Looking at each of these groups we find that First Nations have no balance owing as 100% of the funds allocated for them have been distributed to them. They receive their payments by March 31st each year. Next are the municipalities who have a balance of \$0.8 million which is the amount received during the fiscal year. It was paid out to them on April 1st or the first business day of the following year. They will always show a balance outstanding of one year's worth of receipts on March 31st due to this established payment schedule.

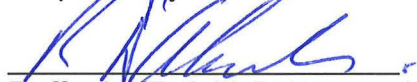
The final group in the 'push' category is the individuals' allocation which has received \$28.9 million since inception while the funds disbursed total \$26.0 million leaving an outstanding liability of \$2.9 million or 10.0% of the total received for this allocation. Again, the government can ensure payments through its annual process of estimating the following year's amounts to be received plus the current outstanding balance to estimate the amount to be disbursed quarterly by CRA during the next benefit year that runs from July to June. Since that estimate has to be provided well in advance to CRA to be incorporated in the following year's payments, less than complete information is available but based on the benefit year cycle they are close. For example, on April 05, 2023, CRA issued \$1.6 million to individuals reducing the outstanding balance by more than half with the June payment to go before the new estimated value kicks in for the next benefit year's payments.

In the 'pull' category we have the business and the recently added, mining business allocations for whom the Government of Yukon has received \$32.3 million since inception

while the funds distributed to the groups totaled \$11.1 million leaving an outstanding liability of \$21.2 million or 65.8% of the total received for these allocations. The 'pull' category is distinguished by the fact that the Government of Yukon cannot initiate payments but rather the eligible businesses must pull their payments by making claims through their corporate tax returns. The uptake of claims was initially impeded by the fact that the main tax software packages used by many businesses did not facilitate making the appropriate claim. The Fiscal Policy unit has worked with the vendors of these tax software packages to ensure the ability to claim the rebate is included in their software. Uptake has increased to the expected level since this update to the software and as businesses took advantage of their ability to revise prior year returns to claim rebates from those years. Based on data that Fiscal Policy can access in the CRA system, they estimated that during the fiscal year 2022-23 claims worth \$18.9 million had been submitted by businesses but had not been confirmed by CRA through the cash flow process used to capture the CRRF transactions. Taking these claims into account, the outstanding balance for the business allocations on March 31, 2023, would drop to \$2.3 million or 7.1% of the total received. The surplus in the business allocations represents the timing difference between when CRA pays the Government of Yukon the carbon proceeds and when CRA charges the Government of Yukon for payments made on its behalf to businesses. There can be a significant lag of up to 16 months between when CRA rebates a business and when CRA takes its reimbursement from the Government of Yukon. In the 2022-23 Public Accounts, and all future Public Accounts, we will note for public disclosure Fiscal Policy's estimates of these entitlements that have not been confirmed by CRA.

In conclusion, the outstanding balance of the Carbon Rebate Revolving Fund on March 31st must be taken in the context that it is based on the cash flow to date of varying systems with multiple timelines; for instance, the Government of Yukon's April to March fiscal year, the federal government's tax year of January to December, the CRA's July to June benefit year, and the variable year-end dates of each business entity. On that basis, the balance of the CRRF can be seen to be reasonable and evidence that funds are being disbursed in compliance with the intent of the enabling Act.

Prepared by:



Raffaello (Ralph) D'Alessandro

Revolving Fund Balance					
(thousands of dollars)					
	Cumulative to March 31, 2023	2022-23	2021-22	2020-21	2019-20
Opening Liability	-	18,885	6,919	2,783	-
Carbon amounts received from the Government of Canada					
Business Allocation	31,587	11,687	11,470	6,210	2,220
Mining Business Allocation	747	747	-	-	-
Individuals Allocation	28,948	11,389	10,121	5,479	1,959
Municipal Governments Allocation	1,961	790	675	365	131
First Nations Governments Allocation	1,085	695	224	122	44
Subtotals	64,328	25,308	22,490	12,176	4,354
Rebates distributed to eligible groups					
Business	11,069	6,968	3,003	980	118
Mining Business Allocation	-	-	-	-	-
Individuals	26,058	10,910	6,932	6,807	1,409
Municipal Governments	1,171	675	365	131	-
First Nations Governments	1,085	695	224	122	44
Subtotals	39,383	19,248	10,524	8,040	1,571
Closing Liability	24,945	24,945	18,885	6,919	2,783
Liability by eligible group					
Business Allocation	20,518 *	4,719	8,467	5,230	2,102
Mining Business Allocation	747 **	747	-	-	-
Individuals Allocation	2,890	479	3,189	(1,328)	550
Municipal Governments Allocation	790	115	310	234	131
First Nations Governments Allocation	-	-	-	-	-
Annual Net Activity		6,060	11,966	4,136	2,783
Total Liability	24,945				

* Fiscal Policy estimates \$18,719,260 of this amount has been claimed but has not been confirmed by CRA.

** Fiscal Policy estimates \$144,060 of this amount has been claimed but has not been confirmed by CRA.