





Date: October 5, 2015

To: Patrick H. West, City Manager 

From: John Gross, Director of Financial Management 

For: Charles Parkin, City Attorney

Subject: **Request for Information Regarding New Pollution Remediation Obligations**

As in previous years, the City is required to report within its financial statements pollution remediation obligations. At this time, we are requesting that a review of ongoing litigation, potential litigation, or other known situation or activity be performed to determine whether any new obligations have become known to your office covering the period October 1, 2014 through September 30, 2015.

A pollution remediation obligation arises when one of the following exists:

- a. The government is compelled to take remediation action because pollution creates an imminent endangerment to public health or welfare or the environment, leaving little or no discretion to avoid remediation action.
- b. The government is in violation of a pollution prevention-related permit or license, such as a Resource Conservation and Recovery Act (RCRA) permit or similar permits under state law.
- c. The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party (PRP) for remediation, or as a government responsible for sharing costs.
- d. The government is named, or evidence indicates that it will be named, in a lawsuit to compel the government to participate in remediation.
- e. The government commences, or legally obligates itself to commence, cleanup activities or monitoring or operation and maintenance of the remediation effort. If these activities are voluntarily commenced and none of the other obligating events have occurred relative to the entire site, the amount recognized should be based on the portion of the remediation project that the government has initiated and is legally required to complete.

For clarification purposes, the Statement does not apply to the following situations:

- a. Landfill closure and post-closure care obligations within the scope of GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs.
- b. Other future pollution remediation activities that are required upon retirement of an asset (asset retirement obligations, such as nuclear power plant decommissioning)

and also during the periods preceding the retirement. However, this Statement applies to those activities at the time of the retirement if obligating events are met and a liability has not been recorded previously.

- c. Recognition of asset impairments or liability recognition for unpaid claims by insurance activities.
- d. Pollution prevention or control obligations with respect to current operations, such as obligations to install smokestack scrubbers, treat effluent, or use environment-friendly products, and other non-remediation outlays such as fines, penalties, toxic torts (civil wrongs arising from exposure to a toxic substance), product and process (workplace) safety outlays, litigation support involved with potential recoveries, and outlays borne by society at large rather than by a specific government.
- e. Accounting for non-exchange transactions, such as Brownfield redevelopment grants.

Please provide a list of any identified "Obligating Events" on or before October 23, 2015. The list should include the following:

- Affected Department,
- Contact Person,
- Location(s),
- A brief description of the facts surrounding the event,
- If related to a potential lawsuit, an estimated probability that the lawsuit will succeed,
- An estimated dollar amount for the liability (if known).

Any information that you can provide will be greatly appreciated. If you have any questions regarding this matter, please call Olivia Valero, Accounting Operations Officer at extension 8-6353.

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CC: TOM MODICA, ASSISTANT CITY MANAGER
ARTURO SANCHEZ, DEPUTY CITY MANAGER
JYL MARDEN, ASSISTANT TO THE CITY MANAGER
AMY WEBBER, DEPUTY CITY ATTORNEY