

**Subject: Financial Statements for In-House Solid Waste Collection – External  
Audit Results**

**File Number: ACS2023-PWD-SWS-0001**

**Report to the Environment and Climate Change Committee on 21 March 2023  
and Council 12 April 2023**

**Submitted on March 10, 2023 by Alain Gonthier, General Manager, Public Works**

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**Ward: Citywide**

**Objet : États financiers pour la collecte des déchets solides par la ville –  
résultats de la vérification externe**

**Dossier : ACS2023-PWD-SWS-0001**

**Rapport au Comité de l'environnement du changement climatique le 21 mars 2023  
et au Conseil le 12 avril 2023**

**Soumis le 10 mars 2023 par Alain Gonthier, directeur général, Travaux publics**

**Personne ressource : Shelley McDonald, directrice, Services de déchets solides,  
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**Quartier : À l'échelle de la ville**

## **REPORT RECOMMENDATIONS**

**That the Environment and Climate Change Committee recommend Council receive  
this report for information.**

## **RECOMMANDATIONS DU RAPPORT**

**Que le Comité de l'environnement et du changement climatique recommande au Conseil de prendre connaissance de ce rapport pour information.**

## **BACKGROUND**

On November 15, 2011, Ottawa City Council approved and awarded a six-and-a-half-year collection contract for Zone C3 (urban core) to the In-house Collections Group as part of the Solid Waste Curbside Collection and Services (Tender No. RFT01811-91027-T01) [report](#). Additionally, Ottawa City Council approved that the City (hereafter referred to as "In-house Collection Group") could bid on the remaining four collection zones with a restriction that they could only be awarded a maximum of two additional zones. The In-house Collection Group followed a managed competition process that was overseen by a fairness commissioner and was subsequently awarded Zone C5 (east end) as the lowest successful bidder.

In awarding the contract for Zones C3 and C5 to the In-house Collection Group, Council also directed:

*"That Council require an annual audit of expenditures for works awarded to the City, that Council require an annual information report, qualitative and quantitative in nature, relevant to this program, as suggested by the City Internal Auditor, and that such reports follow the usual Committee process."*

On April 24, 2019, Ottawa City Council approved the Solid Waste Residential Collection Contracts Renewal [report](#) which delegated authority to the General Manager of the Public Works Department to negotiate, finalize and execute a short-term, three-year curbside collection contract with each existing curbside collection service providers, including the In-house Collection Group, in accordance with section 22(1)(d) of the Procurement By-law ([By-law No. 50 of 2000](#)). These extensions were issued to the current service providers under similar terms and conditions as the existing contract, supplying curbside collection services in all five zones. The City is in the midst of the three-year contract extensions, which are in effect from June 1, 2020 through to May 31, 2023.

This report presents both the audited financial statement for the Year 2 of the three-year extension, the 12-month period between June 1, 2021 and May 31, 2022, and the department's performance report. Both the financial statement and performance report

are the responsibility of management. The Auditor's responsibilities are discussed in each section.

## **DISCUSSION**

### **Financial Results**

The methodology used by management to prepare the financial statements is consistent with the Managed Competition Protocol and the Internal Auditor's Report on incremental costs approved by Regional Council on May 27, 1998 and September 8, 1998, respectively. There are four fundamental concepts used in preparation of the in-house collection statements:

1. this is a "going concern" operation;
2. this is a unit-based contract;
3. expenditures and revenues are recorded on an accrual basis; and,
4. all incremental costs are included.

The 12-month Statement of Operations for the In-house Collection Group ended on May 31, 2022 and was audited by the City's external auditor, Ernst & Young LLP. Their audit was designed in accordance with the Generally Accepted Auditing Standards to provide reasonable, rather than absolute, assurance that the statements are free from material misstatement. An unqualified opinion was issued on the statements. The Statement of Operations and the Auditor's Report are provided in Document 1 and Document 2.

The in-house collection operations resulted in operating surpluses for Year 2 of \$1,429,486 for Zone C3 (urban core) and \$833,215 for Zone C5 (East end) for a cumulative surplus of \$2,262,701. The cumulative surplus of \$2,262,701 is mainly due to lessened fleet costs. The Year 1 cumulative surplus was \$2,579,940, as communicated through the 2021 Financial Statements for In-House Solid Waste Collection – External Audit Results [report](#). When combined, the total surplus for Years 1 and 2 is \$4,842,641.

The 2019 Solid Waste Residential Collection Contracts Renewal [report](#) noted the purchase of 19 new collections vehicles which would see an alleviation for the need for costly vehicle repairs and maintenance. The three-year contract extensions also included increases for fleet costs in anticipation of pressures in Year 2 and Year 3 of the contract. Staff used lessons-learned from the previous contract experience when

developing the bids for the three-year contract extensions and increased bid prices accordingly.

### Service Requests

In addition to providing the audited Statement of Operations for the In-house Collection Group, management also summarizes service requests received through 3-1-1 and [ottawa.ca](http://ottawa.ca) for both the In-house Collection Group zones, and the contracted serviced zones.

If a resident submits a request, a work order is created and issued to the appropriate service provider for review and resolution. Issue management is handled on a case-by-case basis, and Solid Waste Services staff work closely with contractors, as required.

**Table 1 – Service Requests for Solid Waste Collection in Year 2 of the three-year extension  
(June 1, 2021 to May 31, 2022)**

Call Type	In-house Collections (Zones C3 and C5)	% of City Total	Contracted Collections (Zones C1, C2, & C4)	% of City Total	City Total
Garbage collection	2,284	47%	2,603	53%	4,887
Black box collection	2,360	42%	3,196	58%	5,556
Blue box collection	2,429	38%	3,935	62%	6,364
Organics / yard waste collection	8,486	43%	11,294	57%	19,780
Total calls / year	15,559	43%	21,028	57%	36,587
Households	113,817	37%	196,595	63%	310,412
Average weekly service requests per 1,000 households	2.63	-	2.06	-	2.27

In Year 2 of the three-year extension, Zones C3 and C5 received a weekly average of 2.63 calls per 1,000 households, representing 43 per cent of all calls received. Zones C1, C2 and C4, of which are serviced by contractors, received a weekly average of 2.02 calls per 1,000 households, representing 57 per cent of all calls received. These numbers remain consistent with past years service request data, with the majority of service requests being for blue, black and/or green bin replacements.

### **FINANCIAL IMPLICATIONS**

There are no financial implications associated with the report recommendations.

### **LEGAL IMPLICATIONS**

There are no legal impediments to Committee and Council's receipt of this report for information.

### **COMMENTS BY THE WARD COUNCILLOR(S)**

This is a city-wide report.

### **TERM OF COUNCIL PRIORITIES**

The managed competition process has resulted in competitiveness in the marketplace.

### **SUPPORTING DOCUMENTATION**

Document 1: Statement of Operations, City of Ottawa, In-house Collection – Zone 3

Document 2: Statement of Operations, City of Ottawa, In-house Collection – Zone 5

### **DISPOSITION**

Report forwarded for information pursuant to Solid Waste Services – Collection Contracts: In-house Bid Authority – Managed Competition [report](#).