

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

**File Number: ACS2024-PWD-SWS-0001**

**Report to Environment and Climate Change Committee on 19 March 2024  
and Council 3 April 2024**

**Submitted on March 8, 2024 by Alain Gonthier, General Manager, Public Works**

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**Ward: Citywide**

**Objet : États financiers pour la collecte internalisée des déchets solides–  
Résultats de la vérification externe**

**Dossier : ACS2024-PWD-SWS-0001**

**Rapport au Comité de l'environnement et du changement climatique le 19 mars  
2024**

**et au Conseil le 3 avril 2024**

**Soumis le 8 mars 2024 par Alain Gonthier, directeur général, Direction générale  
des travaux publics**

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

## **REPORT RECOMMENDATION(S)**

**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.

This report presents both the audited financial statement for the Year 3 of the three-year extension, the 12-month period between June 1, 2022 and May 31, 2023, 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.

Since the 2019 three-year extension, Council approved the negotiation of an additional three-year short-term extension to the current collection contract, now set to expire on March 29, 2026. The basis for the recommendation to extend the current contract rather than to procure a new long-term contract was to ensure curbside collection services to residents would continue without disruption as the City transitions to Individual Producer Responsibility. This also provides staff with time to continue to communicate and mitigate the operational and financial risks outlined in the Solid Waste Services Curbside Collection Contract Procurement Strategy [report](#) approved by Council July 7, 2021 and most recently through the Update on the Provincial Blue Box Program Transition [report](#), approved by Council on June 14, 2023.

## **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, 2023 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 3 of \$2,795,299 for Zone C3 (urban core) and \$1,708,363 for Zone C5 (East end) for a cumulative surplus of \$4,503,662. The cumulative surplus of \$4,503,662 is due to the

increase in number of homes receiving service (revenue increase) and lower than anticipated fleet costs, specifically related to maintenance, repairs and tires. 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](#). The Year 2 cumulative surplus was \$2,262,701, as communicated through the 2023 Financial Statements for In-House Solid Waste Collection – External Audit Results [report](#). Both the year 1 and year 2 surpluses were a result of lessened fleet costs. When combined, the total surplus for Years 1, 2 and 3 is \$9,346,303.

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 due in part to the newer vehicles coming out of their warranty period. Staff used lessons-learned from the previous contract experience when developing the bids for the three-year contract extensions and adjusted the 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 3 of the three-year extension  
(June 1, 2022 to May 31, 2023)**

| <b>Call Type</b>                                     | <b>In-house Collections (Zones C3 and C5)</b> | <b>% of City Total</b> | <b>Contracted Collections (Zones C1, C2, &amp; C4)</b> | <b>% of City Total</b> | <b>City Total</b> |
|--|---|------------------------|--|------------------------|-------------------|
| Garbage collection                                   | 1,779   | 39%                    | 2,798  | 61%                    | 4,577             |
| Black box collection                                 | 1,698   | 40%                    | 2,566  | 60%                    | 4,264             |
| Blue box collection                                  | 1,691   | 36%                    | 3,014  | 64%                    | 4,705             |
| Organics / yard waste collection                     | 6,115   | 40%                    | 9,330  | 60%                    | 15,445            |
| <b>Total calls / year</b>                            | <b>11,283</b>                                 | <b>39%</b>             | <b>17,708</b>  | <b>61%</b>             | <b>28,991</b>     |
| Households   | 113,950                                       | 37%                    | 191,829  | 63%                    | 305,779           |
| Average weekly service requests per 1,000 households | 1.90  | -                      | 1.78   | -                      | 1.82              |

In Year 3 of the three-year extension, Zones C3 and C5 received a weekly average of 1.90 calls per 1,000 households, representing 39% per cent of all calls received. Zones C1, C2 and C4, of which are serviced by contractors, received a weekly average of 1.78 calls per 1,000 households, representing 61% per cent of all calls received. Consistent with previous years, the majority of service requests received are for blue, black and/or green bin replacements.

During the development of this year’s report there was a discrepancy noticed in the house count calculations for Year 2. Table 1 in Document 3 identifies the revised house count and service request results from Year 2 and shows a comparison for all the service request result for the 3-year short term contract.

**FINANCIAL IMPLICATIONS**

There are no financial implications associated with this information report.

**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.

**ADVISORY COMMITTEE(S) COMMENTS**

Not applicable.

**CONSULTATION**

No public consultation was completed for this information report.

**ACCESSIBILITY IMPACTS**

There are no accessibility impacts associated with this information report.

**DELEGATION OF AUTHORITY IMPLICATIONS**

Not applicable.

**ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications associated with this information report.

**INDIGENOUS, GENDER AND EQUITY IMPLICATIONS**

There are no indigenous, gender or equity implications associated with this information report.

**RISK MANAGEMENT IMPLICATIONS**

There are no risk implications associated with this information report.

**RURAL IMPLICATIONS**

There are no rural implications associated with this information report.

**TERM OF COUNCIL PRIORITIES**

Not applicable.

**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

Document 3: Service Requests for Solid Waste Collection Years 1-3 of the three-year extension (June 1, 2020 to May 31, 2023)

## **DISPOSITION**

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