

City of Ottawa In-House Waste Collection – Zone 5

Year ended May 31, 2023



Independent auditor's report

To the Management of the
City of Ottawa In-House Waste Collection – Zone 5

Opinion

We have audited the accompanying statement of operations [the "Statement"] of the **City of Ottawa In-House Waste Collection – Zone 5** [the "Division"] for the year ended May 31, 2023.

In our opinion, the accompanying Statement is prepared, in all material respects, in accordance with the basis of accounting described in note 2.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Statement* section of our report. We are independent of the Division in accordance with the ethical requirements that are relevant to our audit of the Statement in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting and restriction on distribution and use

We draw attention to note 2 of the Statement, which describes the basis of accounting. The Statement is prepared to assist the Division in complying with the financial reporting provisions of note 2 referred to above. As a result, the Statement may not be suitable for another purpose. Our report is intended solely for management of the Division and the Members of the Environment and Climate Change Committee and Council of the City of Ottawa [the "Members"] and should not be distributed to or used by parties other than the Division and the Members. Our opinion is not modified in respect of this matter.

Responsibilities of management for the Statement

Management is responsible for the preparation of the Statement in accordance with the financial reporting requirements detailed in note 2 of the Statement; this includes determining that the basis of accounting is an acceptable basis for the preparation of the Statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the Statement

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Statement.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Division's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Division to cease to continue as a going concern.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ottawa, Canada
January 26, 2024

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



City of Ottawa In-House Waste Collection – Zone 5

Statement of operations

	2023	2022
	\$	\$
Revenue	11,768,187	10,344,623
Expenditures [schedule 1]		
Labour costs		
Salaries	3,316,633	2,918,024
Employer benefit contributions	930,514	818,640
Overtime	799,828	785,812
Workplace Safety and Insurance Board ["WSIB"] costs	38,152	81,819
	5,085,127	4,604,295
Subcontracted labour	684,424	787,562
	5,769,551	5,391,857
Vehicle costs		
Maintenance, repairs and tires	2,205,932	2,166,173
Depreciation	431,648	431,648
Fuel	1,084,921	986,933
Insurance and licensing	56,142	56,791
	3,778,643	3,641,545
Materials and supplies		
Personnel and safety supplies	89,505	91,278
Miscellaneous repairs and services	299,053	243,201
Communications	19,203	19,078
Tools and parts	41,502	36,539
Office and administrative supplies	14,411	29,314
Training	100	100
	463,774	419,510
Other expenditures		
Property lease	35,800	35,800
Interest on vehicle loan	12,056	14,607
Professional services	—	8,090
	47,856	58,497
	10,059,824	9,511,409
Surplus of revenue over expenditures for the year	1,708,363	833,214

See accompanying notes

City of Ottawa In-House Waste Collection – Zone 5

Notes to statement of operations

May 31, 2023

1. Description of organization

The City of Ottawa [the “City”] was subdivided into a number of service zones for the purpose of waste collection to foster more competition during the 1999 collection tender call. This continued to be in effect for the new collection tender/contract, which commenced in 2006. On October 29, 2012, the five curb-side collection zones were slightly modified from the previous contract to account for population growth. Under the new contract, signed on October 11, 2011, the City of Ottawa In-House Waste Collection division [the “Division”] was awarded the services for Zone 5 for the period from October 29, 2012 to May 31, 2019 with the option to renew for one additional year, at the City’s sole option, to May 31, 2020. Under an extension letter signed May 9, 2019, the contract was extended to the period from June 1, 2020 to June 4, 2023. Under another extension letter signed May 5, 2021, the contract was extended to the period from June 5, 2023 to June 8, 2025.

The statement of operations was prepared to report the operating results of the collection activities of Zone 5 for the year ended May 31, 2023. The Division was created through provincial legislation and is not liable for income taxes.

2. Summary of significant accounting policies

The statement of operations of the Division for Zone 5 has been prepared by management in accordance with the significant accounting policies described below.

Revenue and expenditures

Revenue is based on the tender agreement for the Solid Waste and Curbside Collection and Services. The current contracts have been awarded with set prices for the three-year duration of the contracts.

Expenditures are recorded on an accrual basis when services are rendered or goods are received.

Management fee

The annual management fee is determined by multiplying the purchase cost of the fleet by 2.5%, prorated for any acquisitions or disposals in the year. The fee is reduced by the estimated annual cost savings realized as a result of the implementation of in-house management of parts inventory by the City’s Fleet Services Branch in 2017. The fee is recognized rateably at 1/12 per month.

Vehicle costs

Vehicle costs, including maintenance and repairs, fuel, insurance and licensing, and depreciation, are charged to the Division by the City’s Fleet Services Branch, which follows a full-cost recovery allocation method, whereby all costs incurred by the Fleet Services Branch must be recovered from the departments and/or branches based on a per vehicle charge to those that are actually using the vehicles.

City of Ottawa In-House Waste Collection – Zone 5

Notes to statement of operations

May 31, 2023

Insurance

The Risk Management Division of the City is responsible for insuring the City's vehicles, and the Division pays a premium for the insurance policy. The policy covers liability insurance, but does not cover collisions, resulting in a lower overall premium. The cost of the premium relating to municipal fleet vehicles is paid for by the Fleet Services Branch. A charge-back is applied to each vehicle in the Division fleet to recover this cost. Each vehicle is assigned an equal share of the overall premium. Costs associated with actual claims are not included as part of the total expenditures associated with this Division unless they pertain to the current period and are estimable.

Licencing

Vehicles with licence plates owned by the City are required to pay an annual fee to maintain the licence. The annual licence fee paid to the Ministry of Transportation of Ontario is charged to each vehicle and allocated to the Division on a monthly basis.

Maintenance, repairs and tires

These costs include parts, labour and commercial charges.

Parts and labour charges are incurred when a vehicle is repaired by internal City staff at one of the City-owned maintenance garages. Parts are charged back to the City at cost. Labour was charged to the Division at a rate of \$126 per hour for the calendar year 2023, which is calculated as budgeted expenditures [i.e., salaries, shop supplies, etc.] for the Municipal Fleet Maintenance Cost Centres divided by the estimated billable hours of the mechanics for the period.

Commercial charges [i.e, parts and labour] are incurred when the vehicle is repaired at an external garage. The Fleet Services Branch pays the supplier invoice and then charges the actual cost to the vehicle. Open work orders and commercial invoices are accrued each month and recorded as an expenditure in the period the service is rendered or goods are received.

Fuel

Fuel is obtained at City sites and charged back at cost with no mark-up. Fuel costs include fuel hedging costs which are allocated based on the fuel prices during the period when fuel is consumed.

Interest on vehicles

Interest on vehicles is based on actual costs related to purchasing the vehicles and applying a rate of 1.43%, which is provided by the City's Treasury Division and is based on the cost of funds for a seven-year bond issue.

Depreciation

Capital assets are recorded by the City at cost, except for used vehicles, which are recorded at estimated market value at the time of commencement of the contract. These capital assets are not included in this statement of operations. The depreciation related to these capital assets is recorded as an expenditure in the statement of operations of the Division using the straight-line method over the term of the contract or the asset's useful life as follows:

Vehicles

79–84 months

City of Ottawa In-House Waste Collection – Zone 5

Notes to statement of operations

May 31, 2023

Property lease

A lease expenditure is recorded as an allocation of estimated occupancy cost for the City.

3. Comparative figures

Certain comparative figures have been reclassified to conform to with the current year presentation.

Schedule of costs by waste stream

Year ended May 31

	2023			
	Garbage	Recycling	Organics	Total
	\$	\$	\$	\$
Labour costs				
Salaries	1,520,123	898,255	898,255	3,316,633
Employer benefit contributions	426,486	252,014	252,014	930,514
Overtime	366,588	216,620	216,620	799,828
WSIB costs	17,486	10,333	10,333	38,152
	2,330,683	1,377,222	1,377,222	5,085,127
Subcontracted labour	313,694	185,365	185,365	684,424
	2,644,377	1,562,587	1,562,587	5,769,551
Vehicle costs				
Maintenance, repairs and tires	806,436	699,748	699,748	2,205,932
Depreciation	431,648	—	—	431,648
Fuel	542,973	270,974	270,974	1,084,921
Insurance and licensing	28,600	13,771	13,771	56,142
	1,809,657	984,493	984,493	3,778,643
Materials and supplies				
Personnel and safety supplies	41,023	24,241	24,241	89,505
Miscellaneous repairs and services	261,747	18,653	18,653	299,053
Communications	8,801	5,201	5,201	19,203
Tools and parts	19,022	11,240	11,240	41,502
Office and administrative supplies	6,605	3,903	3,903	14,411
Training	46	27	27	100
	337,244	63,265	63,265	463,774
Other expenditures				
Property lease	16,408	9,696	9,696	35,800
Interest on vehicle loan	5,526	3,265	3,265	12,056
Professional services	—	—	—	—
	21,934	12,961	12,961	47,856
	4,813,212	2,623,306	2,623,306	10,059,824
Statistical information				
Actual tonnage in metric tonnes	27,027	11,426	19,588	58,041
Actual cost per tonne	178.09	229.59	133.92	173.32

See accompanying notes

Schedule of costs by waste stream

Year ended May 31

	2022			
	Garbage	Recycling	Organics	Total
	\$	\$	\$	\$
Labour costs				
Salaries	1,337,428	790,298	790,298	2,918,024
Employer benefit contributions	375,210	221,715	221,715	818,640
Overtime	360,164	212,824	212,824	785,812
WSIB costs	37,501	22,159	22,159	81,819
	<u>2,110,303</u>	<u>1,246,996</u>	<u>1,246,996</u>	<u>4,604,295</u>
Subcontracted labour	360,966	213,298	213,298	787,562
	<u>2,471,269</u>	<u>1,460,294</u>	<u>1,460,294</u>	<u>5,391,857</u>
Vehicle costs				
Maintenance, repairs and tires	602,609	781,782	781,782	2,166,173
Depreciation	431,648	—	—	431,648
Fuel	479,357	253,788	253,788	986,933
Insurance and licensing	28,899	13,946	13,946	56,791
	<u>1,542,513</u>	<u>1,049,516</u>	<u>1,049,516</u>	<u>3,641,545</u>
Materials and supplies				
Personnel and safety supplies	41,836	24,721	24,721	91,278
Miscellaneous repairs and services	176,729	33,236	33,236	243,201
Communications	8,744	5,167	5,167	19,078
Tools and parts	16,747	9,896	9,896	36,539
Office and administrative supplies	13,436	7,939	7,939	29,314
Training	46	27	27	100
	<u>257,538</u>	<u>80,986</u>	<u>80,986</u>	<u>419,510</u>
Other expenditures				
Property lease	16,408	9,696	9,696	35,800
Interest on vehicle loan	6,695	3,956	3,956	14,607
Professional services	3,708	2,191	2,191	8,090
	<u>26,811</u>	<u>15,843</u>	<u>15,843</u>	<u>58,497</u>
	<u>4,298,131</u>	<u>2,606,639</u>	<u>2,606,639</u>	<u>9,511,409</u>
Statistical information [note 3]				
Actual tonnage in metric tonnes	28,085	12,279	19,716	60,080
Actual cost per tonne	153.04	212.28	132.21	158.31

See accompanying notes