

# **City of Ottawa In-House Waste Collection – Zone 3**

**Statement of operations  
Year ended May 31, 2023**



# Independent auditor's report

To the Management of the  
**City of Ottawa In-House Waste Collection – Zone 3**

## Opinion

We have audited the accompanying statement of operations [the “Statement”] of the **City of Ottawa In-House Waste Collection – Zone 3** [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 3

### Statement of operations

	2023	2022
	\$	\$
<b>Revenue</b>	<b>9,941,721</b>	8,604,026
<b>Expenditures [schedule 1]</b>		
Labour costs		
Salaries	2,278,639	2,328,236
Employer benefit contributions	660,122	678,010
Overtime	549,905	540,031
Workplace Safety and Insurance Board ["WSIB"] costs	52,747	116,252
	<b>3,541,413</b>	3,662,529
Subcontracted labour	471,574	428,463
	<b>4,012,987</b>	4,090,992
Vehicle costs		
Maintenance, repairs and tires	1,749,747	1,680,884
Depreciation	312,546	312,546
Fuel	802,810	682,544
Insurance and licensing	44,013	46,082
	<b>2,909,116</b>	2,722,056
Materials and supplies		
Personnel and safety supplies	88,109	80,846
Miscellaneous repairs and services	42,832	157,325
Communications	18,623	17,003
Tools and parts	13,967	29,426
Office and administrative supplies	13,873	28,483
	<b>177,404</b>	313,083
Other expenditures		
Interest on vehicle loan	3,014	3,652
Property lease	35,800	35,800
Professional services	8,101	8,955
	<b>46,915</b>	48,407
	<b>7,146,422</b>	7,174,538
<b>Surplus of revenue over expenditures for the year</b>	<b>2,795,299</b>	1,429,488

See accompanying notes

## City of Ottawa In-House Waste Collection – Zone 3

### 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 3 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 3 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 3 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 3

### 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 expenses associated with this Division unless they pertain to the current period and are estimable.

During the year ended May 31, 2023, a claim was filed against the City and \$65,000 was put on reserve for settlement. As the claim has not been settled, based on the Division's accounting policies, the costs are not included in total expenditures.

#### Licensing

Vehicles with licence plates owned by the City are required to pay an annual fee to maintain the licence. The annual license 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 the 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.

## City of Ottawa In-House Waste Collection – Zone 3

### Notes to statement of operations

May 31, 2023

#### 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	79–120 months
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#### Property lease

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

## Schedule of costs by waste stream

Year ended May 31

	2023			
	Garbage	Recycling	Organics	Total
	\$	\$	\$	\$
<b>Labour costs</b>				
Salaries	959,427	659,606	659,606	2,278,639
Employer benefit contributions	277,946	191,088	191,088	660,122
Overtime	231,539	159,183	159,183	549,905
WSIB costs	22,209	15,269	15,269	52,747
	<b>1,491,121</b>	<b>1,025,146</b>	<b>1,025,146</b>	<b>3,541,413</b>
Subcontracted labour	198,558	136,508	136,508	471,574
	<b>1,689,679</b>	<b>1,161,654</b>	<b>1,161,654</b>	<b>4,012,987</b>
<b>Vehicle costs</b>				
Maintenance, repairs and tires	601,691	574,028	574,028	1,749,747
Depreciation	312,546	—	—	312,546
Fuel	346,724	228,043	228,043	802,810
Insurance and licensing	20,559	11,727	11,727	44,013
	<b>1,281,520</b>	<b>813,798</b>	<b>813,798</b>	<b>2,909,116</b>
<b>Materials and supplies</b>				
Personnel and safety supplies	37,099	25,505	25,505	88,109
Miscellaneous repairs and services	5,728	3,938	33,166	42,832
Communications	7,841	5,391	5,391	18,623
Tools and parts	5,881	4,043	4,043	13,967
Office and administrative supplies	5,841	4,016	4,016	13,873
	<b>62,390</b>	<b>42,893</b>	<b>72,121</b>	<b>177,404</b>
<b>Other expenditures</b>				
Interest on vehicle loan	3,014	—	—	3,014
Property lease	15,074	10,363	10,363	35,800
Professional services	3,411	2,345	2,345	8,101
	<b>21,499</b>	<b>12,708</b>	<b>12,708</b>	<b>46,915</b>
	<b>3,055,088</b>	<b>2,031,053</b>	<b>2,060,281</b>	<b>7,146,422</b>
<b>Statistical information</b>				
Actual tonnage in metric tonnes	16,654	7,792	12,799	37,245
Actual cost per tonne	183.44	260.66	160.97	191.88

See accompanying notes



## Schedule of costs by waste stream

Year ended May 31

	2022			
	Garbage	Recycling	Organics	Total
	\$	\$	\$	\$
<b>Labour costs</b>				
Salaries	980,310	673,963	673,963	2,328,236
Employer benefit contributions	285,478	196,266	196,266	678,010
Overtime	227,381	156,325	156,325	540,031
WSIB costs	48,948	33,652	33,652	116,252
	1,542,117	1,060,206	1,060,206	3,662,529
Subcontracted labour	180,405	124,029	124,029	428,463
	1,722,522	1,184,235	1,184,235	4,090,992
<b>Vehicle costs</b>				
Maintenance, repairs and tires	430,392	625,246	625,246	1,680,884
Depreciation	312,546	—	—	312,546
Fuel	300,302	191,121	191,121	682,544
Insurance and licensing	22,456	11,813	11,813	46,082
	1,065,696	828,180	828,180	2,722,056
<b>Materials and supplies</b>				
Personnel and safety supplies	34,040	23,403	23,403	80,846
Miscellaneous repairs and services	21,321	14,658	121,346	157,325
Communications	7,159	4,922	4,922	17,003
Tools and parts	12,390	8,518	8,518	29,426
Office and administrative supplies	11,993	8,245	8,245	28,483
	86,903	59,746	166,434	313,083
<b>Other expenditures</b>				
Interest on Vehicle Loan	3,652	—	—	3,652
Property lease	15,074	10,363	10,363	35,800
Professional services	3,771	2,592	2,592	8,955
	22,497	12,955	12,955	48,407
	2,897,618	2,085,116	2,191,804	7,174,538
<b>Statistical information</b>				
Actual tonnage in metric tonnes	18,245	8,662	13,728	40,635
Actual cost per tonne	158.82	240.72	159.66	176.56

See accompanying notes