

<p>4. FINANCIAL STATEMENTS FOR IN-HOUSE SOLID WASTE COLLECTION – EXTERNAL AUDIT RESULTS</p> <p>ÉTATS FINANCIERS POUR LA COLLECTE DES DÉCHETS SOLIDES PAR LA VILLE – RÉSULTATS DE LA VÉRIFICATION EXTERNE</p>
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COMMITTEE RECOMMENDATION

That Council receive this report for information.

RECOMMANDATION DU COMITÉ

Que le Conseil prenne connaissance de ce rapport.

DOCUMENTATION

1. Acting Director's Report, Solid Waste Services, Public Works and Environmental Services, dated 4 November 2021 (ACS2021-PWE-SWS-0007).

Rapport de la directrice par intérim, Services de déchets solides, Direction générale des travaux publics et de l'environnement, daté le 4 novembre 2021 (ACS2021-PWE-SWS-0007).

**STANDING COMMITTEE ON
ENVIRONMENTAL PROTECTION,
WATER AND WASTE MANAGEMENT**

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**COMITÉ PERMANENT DE LA
PROTECTION DE
L'ENVIRONNEMENT, DE L'EAU ET
DE LA GESTION DES DÉCHETS**

**REPORT 20
24 NOVEMBER 2021**

**RAPPORT 20
LE 24 NOVEMBRE 2021**

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

File Number: ACS2021-PWE-SWS-0007

**Report to Standing Committee on Environmental Protection, Water and Waste
Management on 16 November 2021**

and Council 24 November 2021

**Submitted on November 4, 2021 by Kevin Wylie, General Manager, Public Works
and Environmental Services**

**Contact Person: Shelley McDonald, Acting Director, Solid Waste Services, Public
Works and Environmental Services**

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Ward: Citywide

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

Dossier : ACS2021-PWE-SWS-0007

**Rapport au Comité permanent de la protection de l'environnement, de l'eau et de
la gestion des déchets**

le 16 novembre 2021

et au Conseil le 24 novembre 2021

**Soumis le 4 novembre 2021 par Kevin Wylie, directeur général, Travaux publics et
de l'environnement**

**Personne ressource : Shelley McDonald, directrice par intérim, Services de
déchets solides, Direction générale des travaux publics et de l'environnement**

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

That the Standing Committee on Environmental Protection, Water and Waste Management recommend Council receive this report for information.

RECOMMANDATIONS DU RAPPORT

Que le Comité permanent de la protection de l'environnement, de l'eau et de la gestion des déchets recommande au Conseil de prendre connaissance de ce rapport.

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, 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. The terms of these contracts lasted from October 29, 2012 to May 31, 2020.

In awarding the contract to the In-house Collection Group for Zones C3 and C5, 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, Council approved the Solid Waste Residential Collection Contracts Renewal [report](#) which delegated authority to the General Manager of Public Works and Environmental Services Department to negotiate, finalize and execute a short-term, three-year curbside collection contract with each of the existing curbside collection service providers, including the In-house Collections 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 collection services in all five curbside 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 1 of the three-year extension, the 12-month period between June 1, 2020 and May 31, 2021, 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 Statement of Operations of the In-house Collection Group for the 12 months ended May 31, 2021 and was audited by Ernst & Young LLP, the City's external auditor. 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 1 of \$1,415,378 for Zone C3 and \$1,164,562 for Zone C5 for a cumulative surplus of \$2,579,940. The cumulative surplus of \$2,579,940 is mainly due to lessened labour operations and fleet costs.

Through Council's approval of the 2019 Solid Waste Residential Collection Contracts Renewal [report](#), a total of 19 new collections vehicle were purchased; alleviating the need for costly vehicle repairs and maintenance. Further, during this period diesel fuel pricing dropped, but has raised again. Of note, the three-year contract extensions included increases for fleet costs in anticipation of pressures in Year 2 and Year 3 of the contract. When developing the bids for the three-year contract extensions, staff used lessons-learned from the previous contract experience and increased bid prices accordingly.

Service Requests

In addition to the audited Statement of Operations for the In-house Collection Group, management summarizes service requests received through 311 and Ottawa.ca.

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

**Table 1 – Service Requests for Solid Waste Collection in Year 1 of the three-year extension
(June 1, 2020 to May 31, 2021)**

Call Type	In-house Services (Zones C3 and C5)	% of City Total	Contracted Services (Zones C1, C2, & C4)	% of City Total	City Total
Garbage collection	2,043	40%	3,088	60%	5,131
Black box collection	1,924	37%	3,208	63%	5,132
Blue box collection	2,143	37%	3,712	63%	5,855
Organics / yard waste collection	7,336	40%	11,236	60%	18,572
Total calls / year	13,446	39%	21,244	61%	34,690
Households	113,734	38%	183,633	62%	297,367
Average weekly service requests per 1,000 households	2.27	-	2.22	-	2.24

In Year 1 of the three-year extension, Zones C3 and C5 received a weekly average of 2.27 calls per 1,000 households, representing 38 per cent of all calls received. Zones C1, C2 and C4, of which are serviced by contractors, received a weekly average of 2.22 calls per 1,000 households, representing 62 per cent of all calls received. These numbers remain consistent with past years service request data. The majority of service requests are for blue, black and/or green bin replacement requests.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

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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

No consultation was required as this report is administrative in nature.

ACCESSIBILITY IMPACTS

There are no accessibility implications with this report

RISK MANAGEMENT IMPLICATIONS

There are no risks associated with this report.

RURAL IMPLICATIONS

There are no rural implications.

TERM OF COUNCIL PRIORITIES

The managed competition process has resulted in competitiveness in the market place.

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](#).