

REGION OF OTTAWA-CARLETON
RÉGION D'OTTAWA-CARLETON

REPORT
RAPPORT

Our File/N/Réf.
 Your File/V/Réf.

DATE 8 September 1998

TO/DEST. Co-ordinators
 Planning and Environment and Corporate Services and Economic
 Development Committees

FROM/EXP. Regional Internal Auditor

SUBJECT/OBJET **CURBSIDE COLLECTION CONTRACTS - REVIEW OF
 REGION OF OTTAWA-CARLETON ZONE ESTIMATES**

DEPARTMENTAL RECOMMENDATION

That the Planning and Environment Committee and Corporate Services and Economic Development Committee and Council receive this report for information.

DISCUSSION

In May 1998, Committee and Council considered and approved the Region of Ottawa-Carleton (the Region) reports relating to Solid Waste collection contracts. Included therein was the provision that the Region would submit estimates for curbside collection in each of the 5 collection zones and that the Region's estimates be independently reviewed. Accordingly, I present this report based on my review of the estimates submitted by the Region for solid waste curbside collection.

This review focused on the Region's zone estimates for System I, defined in the Tender Documents to include waste, recycling, leaf and yard and to exclude organics, for those zones (3, 4 and 5) in which the Region estimates was the lowest price. Much of this review was carried out by Ernst & Young, Chartered Accountants - the Corporation's external auditors.

The comments which follow represent my observations and conclusions based on the work performed by both Ernst & Young and myself:

- The Region's estimates were prepared on a basis consistent with the tender documents;
- The Region's collection costing model used to prepare the zone estimates processed inputs accurately;

- All significant direct costs (eg. labour; costs of acquiring, operating and maintaining vehicles; facilities) were fairly reflected in the Region's estimates. No significant direct costs were excluded;

- The treatment of the Region's General Administration Allocation and administrative costs is consistent with Council's direction in May 1998. Specifically, the Region's estimates include incremental administration costs associated with operating a zone and do not include any amount related to the Region's General Administration Allocation;
- Table I of the Solid Waste Curbside Collection Tender Contract report accurately reflects the lowest cost combinations of System I bids received.

The above comments deal with technical issues and direct costs. In addition, there are several judgmental, operational aspects that have a significant impact on both the reasonableness (or the achievability) of the Region's estimates, as well as the magnitude of the estimates. These would include, for example, issues like collection times, travel times, disposal times, vehicle capacities, facility capacity, route design and spares. This was the area of the review that I personally focused on. Based on my review of the Region's current experience in operating "Zone C", statistical information, information from pilots/trials/consultants, representations received, numerous interviews with management and operational staff, consultations with the external auditors and explanations and responses to questions and queries, it is my opinion that these operational judgements, as reflected in the Region's estimates, are logical and reasonable.

OTHER MATTERS

GST

The Corporation is required to pay GST on contractual services of this nature provided by the private sector. The Corporation's net GST obligation is approximately 3%. No GST is applicable on work awarded to the Region.

Multi-Zone Bids

As per Council direction, the Region submitted 5 single zone estimates. The Region did not submit estimates for combination or multiple zones, as contractors had the option of doing. Accordingly, amounts shown in Table I relating to the Region represent aggregates of the Region's single zone estimates.

Accountability

Council should consider requiring an annual audited statement of expenditures for works awarded to the Region. Council should also consider requiring from Solid Waste Division an annual information report of qualitative and quantitative information relevant to the performance of this program.

CONCLUSION

It is my opinion that the zone estimates submitted by the Region for Solid Waste Curbside Collection (“System I”) were prepared on a basis consistent with both the Tender Document and Council direction and represent a reasonable estimate of the cost to carry out these services.

Consequently, should Committee and Council decide to award to the Region based on these single zone Region estimates, for the zones that were reviewed, it is my view that Committee and Council can do so confident that it represents the lowest cost to Regional taxpayers.

*Approved by
Richard F. Palmer*

RFP/cb