

Agenda

Corporate Services Committee

12th Meeting of the Corporate Services Committee

July 17, 2024

1:00 PM

Council Chambers - Please check the City website for additional meeting detail information. Meetings can be viewed via live-streaming on YouTube and the City Website.

The City of London is situated on the traditional lands of the Anishinaabek (AUh-nish-in-ah-bek), Haudenosaunee (Ho-den-no-show-nee), Lūnaapéewak (Len-ah-pay-wuk) and Attawandaron (Add-a-won-da-run).

We honour and respect the history, languages and culture of the diverse Indigenous people who call this territory home. The City of London is currently home to many First Nations, Métis and Inuit today.

As representatives of the people of the City of London, we are grateful to have the opportunity to work and live in this territory.

Members

Councillors H. McAlister (Chair), P. Cuddy, S. Stevenson, C. Rahman, P. Van Meerbergen

The City of London is committed to making every effort to provide alternate formats and communication supports for meetings upon request. To make a request specific to this meeting, please contact CSC@london.ca or 519-661-2489 ext. 2425.

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6.1 Land Disposition / Solicitor-Client Privileged Advice / Position, Plan, Procedure, Criteria or Instruction to be Applied to Any Negotiations	
<p>A matter pertaining to the proposed or pending disposition of land by the municipality, including communications necessary for that purpose; advice that is subject to solicitor-client privilege; commercial and financial</p>	

information, that belongs to the municipality and has monetary value or potential monetary value and a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality.

6.2 Land Disposition / Solicitor-Client Privileged Advice / Position, Plan, Procedure, Criteria or Instruction to be Applied to Any Negotiations

A matter pertaining to the proposed or pending disposition of land by the municipality, including communications necessary for that purpose; advice that is subject to solicitor-client privilege; commercial and financial information, that belongs to the municipality and has monetary value or potential monetary value and a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality.

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6.8 Solicitor-Client Privileged Advice

A matter pertaining to advice subject to solicitor-client privilege, including communications necessary for that purpose, and advice with respect to litigation with respect to various personal injury and property damage claims against the City.

7. **Adjournment**

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Subject: Municipal Funding Agreement on the Canada Community-Building Fund

Date: July 17, 2024

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the attached proposed by-law (Appendix “A”) **BE INTRODUCED** at the Municipal Council meeting on July 23, 2024, to:

- a) **APPROVE** the Municipal Funding Agreement (“Agreement”) on the Canada Community-Building Fund between the Association of Municipalities of Ontario (AMO) and The Corporation of the City of London attached as Schedule 1;
- b) **AUTHORIZE** the Mayor and City Clerk to execute the Agreement;
- c) **AUTHORIZE** the Deputy City Manager, Finance Supports to approve any future amending agreements between the Association of Municipalities of Ontario (AMO) and The Corporation of the City of London with respect to the Canada Community-Building Fund;
- d) **AUTHORIZE** the Mayor and City Clerk to execute any future amending agreements between the Association of Municipalities of Ontario (AMO) and The Corporation of the City of London with respect to the Canada Community-Building Fund approved by the Deputy City Manager, Finance Supports;
- e) **AUTHORIZE** the Deputy City Manager, Finance Supports (or designate) to execute any reports required under the Agreement; and,
- f) **AUTHORIZE** the Deputy City Manager, Finance Supports (or designate) to undertake all the administrative acts that are necessary in connection with this Agreement.

Executive Summary

This report was prepared to approve the required Council by-law and authorize Civic Administration to undertake all required actions to renew the City of London’s agreement with The Association of Municipalities of Ontario (AMO) with respect to the transfer of Canada Community-Building Fund (CCBF) financing to the City.

Linkage to the Corporate Strategic Plan

Council’s 2023 to 2027 Strategic Plan for the City of London identifies “Well-Run City” as one of eight strategic areas of focus. This report supports this strategic area of focus via the outcome “Londoners experience good stewardship, exceptional and valued service” which includes maintaining London’s finances in a transparent, sustainable and well-planned manner, incorporating intergenerational equity, affordability and environmental, social, and governance considerations.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Corporate Services Committee, May 27, 2014, Agenda Item #2, Municipal Funding Agreement Related to the Transfer of Federal Gas Tax Funds <https://pub-london.escrimemeetings.com/Meeting.aspx?Id=e81e30fd-65c8-4792-a40e-12a186205bc3&Agenda=Agenda&lang=English#>

1.2 Canada Community-Building Fund

The Canada Community-Building Fund is a permanent source of funding for municipal infrastructure. It is predictable, stable, long term, and indexed at 2% applied in \$100 million increments. The funds originate from the federal government and are transferred to the provinces and territories, who in turn distribute funding to their communities on a per-capita basis. In Ontario, except for the City of Toronto, AMO is the administrator of these funds. This renewal of the Municipal Funding Agreement covers the period from April 1, 2024, to March 31, 2034.

2.0 Discussion / Considerations

2.1 The Renewed Municipal Funding Agreement

This iteration of the Municipal Funding Agreement on the Canada Community-Building Fund is consistent with its predecessor and covers the 10-year period extending to March 31, 2034. Most things are unchanged including the model for allocations, eligibility criteria, terms regarding the use, transfer and retention of the funds, a focus on Asset Management, etc. There continues to be 18 categories of eligible projects which include: broadband connectivity, brownfield redevelopment, capacity-building, community energy systems, cultural infrastructure, drinking water, fire halls, local roads and bridges, public transit, recreational infrastructure, regional and local airports, resilience, short-line rail, short-sea shipping, solid waste, sport infrastructure, tourism infrastructure and wastewater. Projects that are specifically ineligible include health infrastructure and assets and professional and semi-professional sports facilities.

The most noteworthy change is the requirement for municipalities to complete a Housing Needs Assessment (HNA) by March 31, 2025. At the time of this writing, development of the City of London's HNA is currently underway and on schedule to be presented to Council before the noted deadline via separate report. The HNA is expected to be used by municipalities to prioritize, where possible, increased housing supply through projects that address supporting infrastructure or capacity building. While some housing related costs are eligible for CCBF funding (studies, strategies, systems) under the capacity-building category, it should be noted that direct investment in housing is **not** an eligible investment category. As a result of this addition, municipalities are required to report on housing outcomes as part of their annual report for infrastructure or capacity building projects that support increased housing supply.

2.2 Risk Management

In the Transfer Payment Agreement Section **11.5 Recipient to Indemnify AMO**, requires the City to "indemnify and hold harmless indemnify and hold harmless AMO, its officers, servants, employees or agents (each of which is called an "Indemnatee"), from and against all claims, losses, damages, liabilities and related expenses including the fees, charges and disbursements of any counsel for any Indemnatee incurred by any Indemnatee or asserted against any Indemnatee by whomsoever brought or prosecuted in any manner based upon, or occasioned by, any injury to persons, damage to or loss or destruction of property, economic loss or infringement of rights caused by or arising directly or indirectly from:

- The Funds;
- The Recipient's Eligible Projects, including the design, construction, operation, maintenance, and repair of any part or all of the Eligible Projects;
- The performance of this Agreement or the breach of any term or condition of this Agreement by the Recipient, its officers, servants, employees, and agents, or by a Third Party, its officers, servants, employees, or agents; and,
- Any omission or other wilful or negligent act of the Recipient or Third Party and their respective officers, servants, employees, or agents."

While this clause does expose the City to risk, the benefits of the Agreement outweigh those risks. The City manages these risks through project management, control measures, liability transfers, and applicable insurance.

3.0 Financial Impact / Considerations

3.1 Transfers to Municipalities

AMO transfers funds to municipalities in two installments each year in July/August and November. In 2024, because of the renewal of the funding agreement, transfers of the first installment will be delayed unless the required Council approved by-law is in place.

In total, Ontario's 443 municipalities will receive \$4.7 billion in funding between 2024 and 2029, of which The Corporation of the City of London is scheduled to receive \$139.4 million.

3.2 The City of London

Civic Administration fully incorporates the forecasted CCBF contributions from the Federal Government into the budget during development of the 10-year capital plans for the Property Tax, Water, and Wastewater and Treatment budgets. This was most recently done as part of developing the 2024-2027 Multi-Year Budget. Use of CCBF funding strictly adheres to the terms of the agreement between AMO and the City of London.

CCBF funding received by the City of London is deposited in an obligatory reserve fund where it is drawn down into eligible capital projects in the capital plan as required, and in accordance with the 5-year time limit provision noted in Section 5.8 of the agreement. While in the obligatory reserve fund, CCBF funds earn interest. Per the Municipal Funding Agreement this interest revenue is also considered CCBF funding, and its use must align with the categories of eligible investment.

As projects arise through either the budget process or other reports to Council, some are eligible for CCBF funding. Where applicable, Civic Administration will at times perform housekeeping budget adjustments to ensure full utilization of all CCBF funding per the authority outlined in the Multi-Year Budget Policy. This helps ensure the City adheres to the conditions of the Municipal Funding Agreement and the annual AMO reporting requirements, while making best use of the funding.

Conclusion

The Canada Community-Building Fund is a stable long-term funding source for the City of London. Civic Administration recommends approval of the recommendations of this report to renew our agreement with The Association of Municipalities of Ontario to continue receiving this important funding from the Federal Government.

Prepared by: Jason Davies, CPA, CMA, Manager III, Financial Planning and Policy

Submitted by: Kyle Murray, CPA, CA, Director, Financial Planning and Business Support

Recommended by: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Cc: Ian Collins – Director, Financial Services

APPENDIX A – Municipal Funding Agreement By-Law

Bill No.
2024

By-law No.

A by-law to authorize and approve a Municipal Funding Agreement of the Canada Community-Building Fund and to authorize the Mayor and City Clerk to execute the agreement.

WHEREAS section 5(3) of the Municipal Act, 2001, as amended, provides that a municipal power shall be exercised by by-law:

AND WHEREAS section 9 of the *Municipal Act*, 2001 provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

NOW THEREFORE The Municipal Council of The Corporation of the City of London enacts as follows:

1. The Municipal Funding Agreement for the transfer of Canada Community-Building Fund funding between The Association of Municipalities of Ontario (AMO) and The Corporation of the City of London (“Agreement”), attached as Schedule 1 to this by-law, is hereby authorized and approved.
2. The Mayor and City Clerk are hereby authorized to execute the Agreement authorized and approved in Section 1, above.
3. The Deputy City Manager, Finance Supports is authorized to approve any future amending agreements to the Agreement.
4. The Mayor and City Clerk are authorized to execute any future amending agreements to the Agreement approve by the Deputy City Manager, Finance Supports pursuant to their authority under section 3 of this bylaw.
5. The Deputy City Manager, Finance Supports (or designate) is authorized to execute any reports required under the Agreement.
6. The Deputy City Manager, Finance Supports (or designate) is authorized to undertake all the administrative acts that are necessary in connection with this Agreement
7. This by-law comes into effect on the day it is passed subject to the provisions of PART VI.1 of the *Municipal Act*, 2001.

Passed in Open Council on July 23, 2024, subject to the provisions of PART VI.1 of the Municipal Act, 2001.

Josh Morgan
Mayor

Michael Schulthess
City Clerk

First Reading – July 23, 2024
Second Reading – July 23, 2024
Third Reading – July 23, 2024

**SCHEDULE 1 – AMO / City of London Municipal Funding Agreement on the
Canada Community-Building Fund**

**MUNICIPAL FUNDING AGREEMENT
ON THE CANADA COMMUNITY-BUILDING FUND**

BETWEEN:

THE ASSOCIATION OF MUNICIPALITIES OF ONTARIO

(referred to herein as “**AMO**”)

AND:

THE CORPORATION OF THE CITY OF LONDON

(a municipal corporation pursuant to the *Municipal Act, 2001*, referred to herein as the “**Recipient**”)

WHEREAS the Government of Canada, the Government of Ontario, AMO, and the City of Toronto are signatories to the Administrative Agreement on the Canada Community-Building Fund effective April 1, 2024 (the “**Administrative Agreement**”), which governs the transfer and use of the Canada Community-Building Fund (“**CCBF**”) in Ontario;

AND WHEREAS AMO is responsible for the administration of CCBF funding made available to all Municipalities in Ontario – except the City of Toronto – under the Administrative Agreement, and will therefore undertake (and require the Recipient to undertake) certain activities as set out in this Agreement;

AND WHEREAS the Recipient wishes to enter into this Agreement to access CCBF funding;

NOW THEREFORE the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

1.1 **Definitions.** For the purposes of this Agreement, the following terms shall have the meanings ascribed to them below:

“**Annual Report**” means the duly completed report to be prepared and delivered to AMO as described in Section 6.1.

“**Asset Management**” is a principle/practice that includes planning processes, approaches, plans, or related documents that support an integrated lifecycle approach to the effective stewardship of infrastructure assets to maximize benefits and effectively manage risk.

“**Canada**” means the Government of Canada, as represented by the Minister of Housing, Infrastructure and Communities.

“**Canada Community-Building Fund**” or “**CCBF**” means the program established under section 161 of the *Keeping Canada’s Economy and Jobs Growing Act*, S.C. 2011, c. 24 as amended by section 233 of the *Economic Action Plan 2013 Act, No. 1*, S.C. 2013, c. 33, as the Gas Tax Fund and

renamed the Canada Community-Building Fund in section 199 of *Budget Implementation Act, 2021, No. 1*.

“Contract” means an agreement between the Recipient and a Third Party whereby the latter agrees to supply a product or service to an Eligible Project in return for financial consideration.

“Eligible Expenditure” means an expenditure described as eligible in Schedule B or deemed eligible by Canada in accordance with Section 4.2.

“Eligible Investment Category” means an investment category listed in Schedule A or deemed eligible by Canada in accordance with Section 3.2.

“Eligible Project” means a project that fits within an Eligible Investment Category.

“Event of Default” has the meaning given to it in Section 13.1 of this Agreement.

“Funds” mean the funds made available to the Recipient through the CCBF or any other source of funding as determined by Canada. Funds are made available pursuant to this Agreement and includes any interest earned on the said Funds. Funds transferred to another Municipality in accordance with Section 5.3 of this Agreement are to be treated as Funds by the Municipality to which the Funds are transferred; and Funds transferred to a non-municipal entity in accordance with Section 5.4 of this Agreement shall remain as Funds under this Agreement for all purposes and the Recipient shall continue to be bound by all provisions of this Agreement with respect to such transferred Funds.

“Housing Needs Assessment” or **“HNA”** means a report informed by data and research describing the current and future housing needs of a Municipality or community according to guidance provided by Canada.

“Ineligible Expenditures” means those expenditures described as ineligible in Schedule C or deemed ineligible by Canada in accordance with Section 4.2.

“Infrastructure” means tangible capital assets that are primarily for public use or benefit in Ontario – whether municipal or regional, and whether publicly or privately owned.

“Lower-Tier Municipality” means a Municipality that forms part of an Upper-Tier Municipality for municipal purposes, as defined under the *Municipal Act, 2001*, S.O. 2001, c. 25.

“Municipal Fiscal Year” means the period beginning January 1st of a year and ending December 31st of the same year.

“Municipality” and **“Municipalities”** means every municipality as defined under the *Municipal Act, 2001*, S.O. 2001, c. 25.

“Non-Municipal Transfer By-law” means a by-law passed by Council of the Recipient pursuant to Section 5.4 of this Agreement.

“Parties” means AMO and the Recipient.

“Prior Agreement” means the municipal funding agreement for the transfer of federal gas tax funds entered into by AMO and the Recipient, effective April 2014 and with an expiry date of March 31, 2024.

“Single-Tier Municipality” means a Municipality, other than an Upper-Tier Municipality, that does not form part of an Upper-Tier Municipality for municipal purposes, as defined under the *Municipal Act, 2001*, S.O. 2001 c. 25.

“Third Party” means any person or legal entity, other than the Parties to this Agreement, who participates in the implementation of an Eligible Project by means of a Contract.

“Transfer By-law” means a by-law passed by Council of the Recipient pursuant to Section 5.3 of this Agreement.

“Unspent Funds” means the amount reported as unspent by the Recipient as of December 31, 2023 in the Recipient’s 2023 Annual Report (as defined under the Prior Agreement).

“Upper-Tier Municipality” means a Municipality of which two or more Lower-Tier Municipalities form part for municipal purposes, as defined under the *Municipal Act, 2001*, S.O. 2001 c. 25.

1.2 Interpretations

- a) **“Agreement”** refers to this agreement as a whole, including the cover and execution pages and all of the schedules hereto, and all amendments made hereto in accordance with the provisions hereof.
- b) The words **“herein”**, **“hereof”** and **“hereunder”** and other words of similar import refer to this Agreement as a whole and not any particular schedule, article, section, paragraph or other subdivision of this Agreement.
- c) The term **“including”** or **“includes”** means including or includes (as applicable) without limitation or restriction.
- d) Any reference to a federal or provincial statute is to such statute and to the regulations made pursuant to such statute as such statute and regulations may at any time be amended or modified and in effect and to any statute or regulations that may be passed that have the effect of supplementing or superseding such statute or regulations.

2. TERM OF THE AGREEMENT

- 2.1 **Term.** Subject to any extension or termination of this Agreement or the survival of any of the provisions of this Agreement pursuant to the provisions contained herein, this Agreement shall come into effect as of April 1, 2024 up to and including March 31, 2034.
- 2.2 **Review.** This Agreement will be reviewed by AMO by June 30, 2027.
- 2.3 **Amendment.** This Agreement may be amended at any time in writing as agreed to by AMO and the Recipient.
- 2.4 **Notice.** Any of the Parties may terminate this Agreement on two (2) years written notice.

- 2.5 **Prior Agreement.** The Parties agree that the Prior Agreement, including Section 15.5 thereof, is hereby terminated. Notwithstanding the termination of the Prior Agreement, including Section 15.5, the reporting and indemnity obligations of the Recipient thereunder with respect to expended Funds governed by the Prior Agreement as set forth in Sections 5, 7, 10.3, 10.4 and 10.5 of the Prior Agreement shall survive the said termination.

3. ELIGIBLE PROJECTS

- 3.1 **Eligible Projects.** Eligible Projects are those that fit within an Eligible Investment Category. Eligible Investment Categories are listed in Schedule A.
- 3.2 **Discretion of Canada.** The eligibility of any investment category not listed in Schedule A is solely at the discretion of Canada.
- 3.3 **Recipient Fully Responsible.** The Recipient is fully responsible for the completion of each Eligible Project in accordance with Schedule A and Schedule B.

4. ELIGIBLE EXPENDITURES

- 4.1 **Eligible Expenditures and Ineligible Expenditures.** Eligible Expenditures are described in Schedule B. Ineligible Expenditures are described in Schedule C.
- 4.2 **Discretion of Canada.** The eligibility of any item not listed in Schedule B or Schedule C to this Agreement is solely at the discretion of Canada.
- 4.3 **Reasonable Access.** The Recipient shall allow AMO and Canada reasonable and timely access to all documentation, records and accounts and those of their respective agents or Third Parties related to the receipt, deposit and use of Funds and Unspent Funds, and any interest earned thereon, and all other relevant information and documentation requested by AMO or Canada or their respective designated representatives for the purposes of audit, evaluation, and ensuring compliance with this Agreement.
- 4.4 **Retention of Receipts.** The Recipient will keep proper and accurate accounts and records of all Eligible Projects including invoices and receipts for Eligible Expenditures for at least six (6) years after the completion of the project.
- 4.5 **Contracts.** The Recipient will award and manage all Contracts in accordance with its relevant policies and procedures and, if applicable, in accordance with any domestic or international trade agreements, and all other applicable laws. The Recipient will ensure any of its Contracts for the supply of services or materials to implement its responsibilities under this Agreement will be awarded in a way that is transparent, competitive, consistent with value for money principles and pursuant to its adopted procurement policy.

5. FUNDS

- 5.1 **Use of Funds.** The Recipient acknowledges and agrees the Funds are intended for and shall be used only for Eligible Expenditures in respect of Eligible Projects.

- 5.2 **Unspent Funds.** Any Unspent Funds, and any interest earned thereon, will be subject to the terms and conditions of this Agreement, and will no longer be governed by the terms and conditions of the Prior Agreement.
- 5.3 **Transfer of Funds to a Municipality.** Where a Recipient decides to allocate and transfer Funds to another Municipality (the “Transferee Municipality”):
- a) The allocation and transfer shall be authorized by a Transfer By-law. The Transfer By-law shall be passed by the Recipient’s council and submitted to AMO as soon thereafter as practicable. The Transfer By-law shall identify the Transferee Municipality and the amount of Funds the Transferee Municipality is to receive for the Municipal Fiscal Year(s) specified in the Transfer By-law.
 - b) The Recipient is still required to submit an Annual Report in accordance with Section 6.1 hereof with respect to the Funds transferred.
 - c) No transfer of Funds pursuant to this Section 5.3 shall be effected unless and until the Transferee Municipality has either (i) entered into an agreement with AMO on substantially the same terms as this Agreement, or (ii) has executed and delivered to AMO a written undertaking to assume all of the Recipient’s obligations under this Agreement with respect to the Funds transferred, such as undertaking in a form satisfactory to AMO.
- 5.4 **Transfer of Funds to a Non-Municipal Entity.** Where a Recipient decides to support an Eligible Project undertaken by a non-municipal entity (whether a for profit, non-governmental, or not-for profit organization):
- a) The provision of such support shall be authorized by a Transfer By-law (a “Non-Municipal Transfer By-law”). The Non-Municipal Transfer By-law shall be passed by the Recipient’s council and submitted to AMO as soon as practicable thereafter. The Non-Municipal Transfer By-law shall identify the non-municipal entity, and the amount of Funds the non-municipal entity is to receive for that Eligible Project.
 - b) The Recipient shall continue to be bound by all the provisions of this Agreement notwithstanding any such transfer.
 - c) No transfer of Funds pursuant to this Section 5.4 shall be effected unless and until the non-municipal entity receiving the Funds has executed and delivered to AMO a written undertaking to assume all of the Recipient’s obligations under this Agreement with respect to the Funds transferred, in a form exclusively satisfactory to AMO.
- 5.5 **Payout of Funds.** Subject to Sections 5.14 and 5.15, AMO will transfer Funds twice yearly, on or before the dates agreed upon by Canada and AMO.
- 5.6 **Deposit of Funds.** The Recipient will deposit the Funds in:
- a) An interest-bearing bank account; or
 - b) An investment permitted under:
 - i. The Recipient’s investment policy; and
 - ii. Provincial legislation and regulation.

- 5.7 **Interest Earnings and Investment Gains.** Interest earnings and investment gains will be:
- Proportionately allocated to the CCBF when applicable; and
 - Applied to Eligible Expenditures for Eligible Projects.
- 5.8 **Funds Advanced.** Funds shall be spent (in accordance with Sections 3 and 4) or transferred (in accordance with Sections 5.3 or 5.4) within five (5) years after the end of the year in which Funds were received. Unexpended Funds shall not be retained beyond such five (5) year period without the documented consent of AMO. AMO reserves the right to declare that unexpended Funds after five (5) years become a debt to Canada which the Recipient will reimburse forthwith on demand to AMO for transmission to Canada.
- 5.9 **Expenditure of Funds.** The Recipient shall expend all Funds by December 31, 2038.
- 5.10 **HST.** The use of Funds is based on the net amount of harmonized sales tax to be paid by the Recipient net of any applicable tax rebates.
- 5.11 **Limit on Canada's Financial Commitments.** The Recipient may use Funds to pay up to one hundred percent (100%) of Eligible Expenditures of an Eligible Project.
- 5.12 **Federal Funds.** The Recipient agrees that any Funds received will be treated as "federal funds" for the purpose of other federal infrastructure programs.
- 5.13 **Stacking.** If the Recipient is receiving federal funds under other federal infrastructure programs in respect of an Eligible Project to which the Recipient wishes to apply Funds, the maximum federal contribution limitation set out in any other federal infrastructure program agreement made in respect of that Eligible Project shall continue to apply.
- 5.14 **Withholding Payment.** AMO may, in its exclusive discretion, withhold Funds where the Recipient is in default of compliance with any provisions of this Agreement.
- 5.15 **Insufficient Funds Provided by Canada.** Notwithstanding the provisions of Section 2, if Canada does not provide sufficient funds to continue the Funds for any Municipal Fiscal Year during which this Agreement is in effect, AMO may immediately terminate this Agreement on written notice to the Recipient.

6. REPORTING REQUIREMENTS

- 6.1 **Annual Report.** The Recipient shall submit a report to AMO by April 30th each year, or as otherwise notified by AMO. The report shall be submitted in an electronic format deemed acceptable by AMO and shall contain the information described in Schedule D.
- 6.2 **Project List.** The Recipient shall ensure that projects are reported in advance of construction. Information required is as noted in Section 2.3 of Schedule E.

7. ASSET MANAGEMENT

- 7.1 **Implementation of Asset Management.** The Recipient will develop and implement an Asset Management plan, culture, and methodology in accordance with legislation and regulation established by the Government of Ontario (e.g., O. Reg. 588/17).
- 7.2 **Asset Data.** The Recipient will continue to improve data describing the condition of, long-term cost of, levels of service provided by, and risks associated with infrastructure assets.

8. HOUSING NEEDS ASSESSMENT

- 8.1 **Requirement.** While an HNA is encouraged for all Municipalities, the Recipient must complete a HNA if it had a population of 30,000 or more on the 2021 Census of Canada and is a Single-Tier Municipality or a Lower-Tier Municipality.
- 8.2 **Content of the HNA.** The Recipient will prepare the HNA in accordance with the guidance provided from time to time by Canada.
- 8.3 **Use of HNA.** The Recipient is expected to prioritize projects that support the growth of the housing supply. The HNA is to be used by Municipalities to prioritize, where possible, Infrastructure or capacity building projects that support increased housing supply where it makes sense to do so.
- 8.4 **Publication of the HNA.** The Recipient will publish the HNA on its website.
- 8.5 **HNA reporting requirements.** The Recipient will send to AMO by March 31, 2025, unless otherwise agreed upon:
- a) A copy of any HNA it is required to complete in accordance with Section 8.1; and
 - b) The URL to the published HNA on the Recipient's website.

9. COMMUNICATIONS REQUIREMENTS

- 9.1 The Recipient will comply with all communication requirements outlined in Schedule E.

10. RECORDS AND AUDIT

- 10.1 **Accounting Principles.** All accounting terms not otherwise defined herein have the meanings assigned to them; all calculations will be made and all financial data to be submitted will be prepared in accordance with generally accepted accounting principles ("GAAP") in effect in Ontario. GAAP will include, without limitation, those principles approved or recommended for local governments from time to time by the Public Sector Accounting Board or the Chartered Professional Accountants of Canada or any successor institute, applied on a consistent basis.
- 10.2 **Separate Records.** The Recipient shall maintain separate records and documentation for the Funds and keep all records including invoices, statements, receipts, and vouchers in respect of Funds expended on Eligible Projects in accordance with the Recipient's municipal records retention by-law.

Upon reasonable notice by AMO or Canada, the Recipient shall submit all records and documentation relating to the Funds for inspection or audit.

- 10.3 **External Auditor.** AMO or Canada may request, upon written notice to Recipient, an audit of Eligible Project(s) or Annual Report(s). AMO shall retain an external auditor to carry out an audit and ensure that any auditor who conducts an audit pursuant to this Agreement or otherwise, provides a copy of the audit report to the Recipient.

11. INSURANCE AND INDEMNITY

- 11.1 **Insurance.** The Recipient shall put in effect and maintain in full force and effect or cause to be put into effect and maintained for the term of this Agreement all the necessary insurance with respect to each Eligible Project, including any Eligible Projects with respect to which the Recipient has transferred Funds pursuant to Section 5 of this Agreement, that would be considered appropriate for a prudent Municipality undertaking similar Eligible Projects, including, where appropriate and without limitation, property, construction, and liability insurance, which insurance coverage shall identify Canada and AMO as additional insureds for the purposes of the Eligible Projects.
- 11.2 **Certificates of Insurance.** Throughout the term of this Agreement, the Recipient shall have a valid certificate of insurance that confirms compliance with the requirements of Section 11.1. The Recipient shall produce such certificate of insurance on request, including as part of any AMO or Canada audit.
- 11.3 **AMO Not Liable.** In no event shall Canada or AMO be liable for:
- Any bodily injury, death or property damages to the Recipient, its employees, agents, or consultants or for any claim, demand or action by any Third Party against the Recipient, its employees, agents, or consultants, arising out of or in any way related to this Agreement; or
 - Any incidental, indirect, special, or consequential damages, or any loss of use, revenue or profit to the Recipient, its employees, agents, or consultants arising out of any or in any way related to this Agreement.
- 11.4 **Recipient to Compensate Canada.** The Recipient will ensure that it will not, at any time, hold the Government of Canada, its officers, servants, employees or agents responsible for any claims or losses of any kind that the Recipient, Third Parties or any other person or entity may suffer in relation to any matter related to the Funds or an Eligible Project and that the Recipient will, at all times, compensate Canada, its officers, servants, employees and agents for any claims or losses of any kind that any of them may suffer in relation to any matter related to CCBF funding or an Eligible Project.
- 11.5 **Recipient to Indemnify AMO.** The Recipient hereby agrees to indemnify and hold harmless AMO, its officers, servants, employees or agents (each of which is called an “Indemnitee”), from and against all claims, losses, damages, liabilities and related expenses including the fees, charges and disbursements of any counsel for any Indemnitee incurred by any Indemnitee or asserted against any Indemnitee by whomsoever brought or prosecuted in any manner based upon, or occasioned by, any injury to persons, damage to or loss or

destruction of property, economic loss or infringement of rights caused by or arising directly or indirectly from:

- The Funds;
- The Recipient's Eligible Projects, including the design, construction, operation, maintenance, and repair of any part or all of the Eligible Projects;
- The performance of this Agreement or the breach of any term or condition of this Agreement by the Recipient, its officers, servants, employees, and agents, or by a Third Party, its officers, servants, employees, or agents; and
- Any omission or other wilful or negligent act of the Recipient or Third Party and their respective officers, servants, employees, or agents.

12. TRANSFER AND OPERATION OF MUNICIPAL INFRASTRUCTURE

- 12.1 **Reinvestment.** The Recipient will invest into Eligible Projects, any revenue that is generated from the sale, lease, encumbrance, or other disposal of an asset resulting from an Eligible Project where such disposal takes place within five (5) years of the date of completion of the Eligible Project.
- 12.2 **Notice.** The Recipient shall notify AMO in writing 120 days in advance and at any time during the five (5) years following the date of completion of an Eligible Project if it is sold, leased, encumbered, or otherwise disposed of.
- 12.3 **Public Use.** The Recipient will ensure that Infrastructure resulting from any Eligible Project that is not sold, leased, encumbered, or otherwise disposed of, remains primarily for public use or benefit.

13. DEFAULT AND TERMINATION

- 13.1 **Event of Default.** AMO may declare in writing that an Event of Default has occurred when the Recipient has not complied with any condition, undertaking or term in this Agreement. AMO will not declare in writing that an Event of Default has occurred unless it has first consulted with the Recipient. For the purposes of this Agreement, each of the following events shall constitute an "Event of Default":
- Failure by the Recipient to deliver in a timely manner an Annual Report or respond to questionnaires or reports as required;
 - Delivery of an Annual Report that discloses non-compliance with any condition, undertaking or material term in this Agreement;
 - Failure by the Recipient to co-operate in an external audit undertaken by Canada, AMO or their agents;
 - Delivery of an external audit report that discloses non-compliance with any condition, undertaking or term in this Agreement; and
 - Failure by the Recipient to expend Funds in accordance with the terms of this Agreement, including Section 5.8.

- 13.2 **Waiver.** AMO may withdraw its notice of an Event of Default if the Recipient, within thirty (30) calendar days of receipt of the notice, either corrects the default or demonstrates, to the satisfaction of AMO in its sole discretion that it has taken such steps as are necessary to correct the default.
- 13.3 **Remedies on Default.** If AMO declares that an Event of Default has occurred under Section 13.1, after thirty (30) calendar days from the Recipient's receipt of the notice of an Event of Default, it may immediately terminate this Agreement or suspend its obligation to pay the Funds. If AMO suspends payment, it may pay suspended Funds if AMO is satisfied that the default has been cured.
- 13.4 **Repayment of Funds.** If AMO declares that an Event of Default has not been cured to its exclusive satisfaction, AMO reserves the right to declare that prior payments of Funds become a debt to Canada which the Recipient will reimburse forthwith on demand to AMO for transmission to Canada.

14. CONFLICT OF INTEREST

- 14.1 **No Conflict of Interest.** The Recipient will ensure that no current member of the AMO Board of Directors and no current or former public servant or office holder to whom any post-employment, ethics and conflict of interest legislation, guidelines, codes or policies of Canada applies will derive direct benefit from the Funds, the Unspent Funds, and any interest earned thereon, unless the provision of receipt of such benefits is in compliance with such legislation, guidelines, policies or codes.

15. NOTICE

- 15.1 **Notice.** Any notice, information or document provided for under this Agreement will be effectively given if in writing and if delivered by hand, or overnight courier, mailed, postage or other charges prepaid, or sent by email to the addresses in Section 15.3. Any notice that is sent by hand or overnight courier service shall be deemed to have been given when received; any notice mailed shall be deemed to have been received on the eighth (8) calendar day following the day on which it was mailed; any notice sent by email shall be deemed to have been received on the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgment), provided that in the case of a notice sent by email, if it is not given on a business day before 4:30 p.m. Eastern Standard Time, it shall be deemed to have been given at 8:30 a.m. on the next business day for the recipient.
- 15.2 **Representatives.** The individuals identified in Section 15.3 of this Agreement, in the first instance, act as AMO's or the Recipient's, as the case may be, representative for the purpose of implementing this Agreement.
- 15.3 **Addresses for Notice.** Further to Section 15.1 of this Agreement, notice can be given at the following addresses:

- If to AMO:

Executive Director
Canada Community-Building Fund Agreement
Association of Municipalities of Ontario
155 University Avenue, Suite 800
Toronto, ON M5H 3B7

Telephone: 416-971-9856
Email: ccbf@amo.on.ca

- If to the Recipient:

Treasurer
The Corporation of the City of London
P.O. Box 5035, City Hall, 300 Dufferin Ave.
London, ON N6A 4L9

16. MISCELLANEOUS

- 16.1 **Counterpart Signature.** This Agreement may be signed (including by electronic signature) and delivered (including by facsimile transmission, by email in PDF or similar format or using an online contracting service designated by AMO) in counterparts, and each signed and delivered counterpart will be deemed an original and both counterparts will together constitute one and the same document.
- 16.2 **Severability.** If for any reason a provision of this Agreement that is not a fundamental term is found to be or becomes invalid or unenforceable, in whole or in part, it will be deemed to be severable and will be deleted from this Agreement, but all the other terms and conditions of this Agreement will continue to be valid and enforceable.
- 16.3 **Waiver.** AMO may waive any right in this Agreement only in writing, and any tolerance or indulgence demonstrated by AMO will not constitute waiver of rights in this Agreement. Unless a waiver is executed in writing, AMO will be entitled to seek any remedy that it may have under this Agreement or under the law.
- 16.4 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in Ontario.
- 16.5 **Survival.** The Recipient agrees that the following sections and provisions of this Agreement shall extend for seven (7) years beyond the expiration or termination of this Agreement: Sections 4, 5.8, 5.9, 6.1, 11.4, 11.5, 12, 13.4 and 16.8.
- 16.6 **AMO, Canada and Recipient Independent.** The Recipient will ensure its actions do not establish or will not be deemed to establish a partnership, joint venture, principal-agent relationship, or employer-employee relationship in any way or for any purpose whatsoever between Canada and the Recipient, between AMO and the Recipient, between Canada and a Third Party or between AMO and a Third Party.

- 16.7 **No Authority to Represent.** The Recipient will ensure that it does not represent itself, including in any agreement with a Third Party, as a partner, employee, or agent of Canada or AMO.
- 16.8 **Debts Due to AMO.** Any amount owed under this Agreement will constitute a debt due to AMO, which the Recipient will reimburse forthwith, on demand, to AMO.
- 16.9 **Priority.** In the event of a conflict, the part of this Agreement that precedes the signature of the Parties will take precedence over the Schedules.
- 16.10 **Complementarity.** The Recipient is to use the CCBF to complement, without replacing or displacing, other sources of funding for municipal infrastructure.
- 16.11 **Equity.** The Recipient is to consider Gender Based Analysis Plus (“**GBA+**”) lenses when undertaking a project.

17. SCHEDULES

- 17.1 This Agreement, including:

Schedule A	Eligible Investment Categories
Schedule B	Eligible Expenditures
Schedule C	Ineligible Expenditures
Schedule D	The Annual Report
Schedule E	Communications Requirements

constitute the entire agreement between the Parties with respect to the subject matter contained in this Agreement and supersedes all prior oral or written representations and agreements.

18. SIGNATURES

IN WITNESS WHEREOF, AMO and the Recipient have respectively executed, and delivered this Agreement, effective April 1, 2024.

THE CORPORATION OF THE CITY OF LONDON

By: _____
Name: _____ Date _____
Title: _____

Name: _____ Date _____
Title: _____

THE ASSOCIATION OF MUNICIPALITIES OF ONTARIO

By: _____
Name: _____ Date _____
Title: Executive Director

Witness: _____ Date _____
Title: _____

SCHEDULE A: ELIGIBLE INVESTMENT CATEGORIES

1. **Broadband connectivity** – investments in the construction, material enhancement, or renewal of infrastructure that provides internet access to residents, businesses, and/or institutions in Canadian communities.
2. **Brownfield redevelopment** – investments in the remediation or decontamination of a brownfield site within municipal boundaries – provided that the site is being redeveloped to construct a public park for municipal use, publicly owned social housing, or Infrastructure eligible under another investment category listed in this schedule.
3. **Capacity-building** – investments that strengthen the Recipient’s ability to develop long-term planning practices as described in Schedule B, item 2.
4. **Community energy systems** – investments in the construction, material enhancement, or renewal of infrastructure that generates energy or increases energy efficiency.
5. **Cultural infrastructure** – investments in the construction, material enhancement, or renewal of infrastructure that supports the arts, humanities, or heritage.
6. **Drinking water** – investments in the construction, material enhancement, or renewal of infrastructure that supports drinking water conservation, collection, treatment, and distribution systems.
7. **Fire halls** – investments in the construction, material enhancement, or renewal of fire halls and fire station infrastructure.
8. **Local roads and bridges** – investments in the construction, material enhancement, or renewal of roads, bridges, tunnels, highways, and active transportation infrastructure.
9. **Public transit** – investments in the construction, material enhancement, or renewal of infrastructure that supports a shared passenger transport system that is available for public use.
10. **Recreational infrastructure** – investments in the construction, material enhancement, or renewal of recreational facilities or networks.
11. **Regional and local airports** – investments in the construction, material enhancement, or renewal of airport-related infrastructure (excluding infrastructure in the National Airports System).
12. **Resilience** – investments in the construction, material enhancement, or renewal of built and natural infrastructure assets and systems that protect and strengthen the resilience of communities and withstand and sustain service in the face of climate change, natural disasters, and extreme weather events.
13. **Short-line rail** – investments in the construction, material enhancement, or renewal of railway-related infrastructure for carriage of passengers or freight.
14. **Short-sea shipping** – investments in the construction, material enhancement, or renewal of infrastructure related to the movement of cargo and passengers around the coast and on inland waterways, without directly crossing an ocean.

15. **Solid waste** – investments in the construction, material enhancement, or renewal of infrastructure that supports solid waste management systems (including the collection, diversion, and disposal of recyclables, compostable materials, and garbage).
16. **Sport infrastructure** – investments in the construction, material enhancement, or renewal of amateur sport infrastructure (facilities housing professional or semi-professional sports teams are ineligible).
17. **Tourism infrastructure** – investments in the construction, material enhancement, or renewal of infrastructure that attracts travelers for recreation, leisure, business, or other purposes.
18. **Wastewater** – investments in the construction, material enhancement, or renewal of infrastructure that supports wastewater and storm water collection, treatment, and management systems.

Note: Investments in health infrastructure (e.g., hospitals, long-term care facilities, convalescent centres, and senior centres) are not eligible.

SCHEDULE B: ELIGIBLE EXPENDITURES

Eligible Expenditures will be limited to the following:

1. **Infrastructure investments** – expenditures associated with acquiring, planning, designing, constructing, or renovating a tangible capital asset and any related debt financing charges specifically identified with that asset.
2. **Capacity-building costs** – for projects eligible under the capacity-building category only, expenditures associated with the development and implementation of:
 - Capital investment plans, integrated community sustainability plans, integrated regional plans, housing needs assessments, or asset management plans;
 - Studies, strategies, systems, software, third-party assessments, plans, or training related to asset management;
 - Studies, strategies, systems, or plans related to housing or land use;
 - Studies, strategies, or plans related to the long-term management of infrastructure; and
 - Other initiatives that strengthen the Recipient’s ability to improve local and regional planning.
3. **Joint communications and signage costs** – expenditures directly associated with joint federal communication activities and with federal project signage.
4. **Employee costs** – the costs of the Recipient’s employees for projects eligible under the capacity-building category only – provided that the costs, on an annual basis, do not exceed the lesser of:
 - 40% of the Recipient’s annual allocation (i.e., the amount of CCBF funding made available to the Recipient by AMO under Section 5.5 of this Agreement); or
 - \$80,000.

SCHEDULE C: INELIGIBLE EXPENDITURES

The following are deemed Ineligible Expenditures:

1. **Costs incurred before the Fund was established** – project expenditures incurred before April 1, 2005.
2. **Costs incurred before categories were eligible** – project expenditures incurred:
 - Before April 1, 2014 – under the broadband connectivity, brownfield redevelopment, cultural infrastructure, disaster mitigation (now resilience), recreational infrastructure, regional and local airports, short-line rail, short-sea shipping, sport infrastructure, and tourism infrastructure categories; and.
 - Before April 1, 2021 – under the fire halls category.
3. **Internal costs** – the Recipient's overhead costs (including salaries and other employment benefits), operating or administrative costs (related to planning, engineering, architecture, supervision, management, and other activities normally carried out by the Recipient's staff), and equipment leasing costs – except in accordance with Eligible Expenditures described in Schedule B.
4. **Rebated costs** – taxes for which the Recipient is eligible for a tax rebate and all other costs eligible for rebates.
5. **Land costs** – the purchase of land or any interest therein and related costs.
6. **Legal fees.**
7. **Routine repair or maintenance costs** – costs that do not result in the construction, material enhancement, or renewal of a tangible capital asset.
8. **Investments in health infrastructure** – costs associated with health infrastructure or assets (e.g., hospitals, long-term care facilities, convalescent centres, and senior centres).
9. **Investments in professional or semi-professional sports facilities** – costs associated with facilities used by professional or semi-professional sports teams.

SCHEDULE D: ANNUAL REPORT

The Annual Report may include – but is not necessarily limited to – the following information pertaining to the previous fiscal year:

1. **Financial information** – and particularly:
 - Interest earnings and investment gains – in accordance with Section 5.7;
 - Proceeds from the disposal of assets – in accordance with Section 12.1;
 - Outgoing transfers – in accordance with Sections 5.3 and 5.4;
 - Incoming transfers – in accordance with Section 5.3; and
 - Amounts paid – in aggregate for Eligible Expenditures on each Eligible Project.
2. **Project information** – describing each Eligible Project that started, ended, or was ongoing in the reporting year.
3. **Results** – and particularly:
 - Expected outputs and outcomes for each ongoing Eligible Project;
 - Outputs generated and outcomes achieved for each Eligible Project that ended construction in the reporting year; and
 - Housing outcomes resulting from each Eligible Project that ended construction in the reporting year, and specifically:
 - i. The number of housing units enabled, supported, or preserved; and
 - ii. The number of affordable housing units enabled, supported, or preserved.
4. **Other information** – such as:
 - Progress made in the development and implementation of asset management plans and systems; and
 - The impact of the CCBF on housing pressures tied to infrastructure gaps, the housing supply, and housing affordability.

SCHEDULE E: COMMUNICATIONS REQUIREMENTS

1. COMMUNICATIONS ACTIVITIES

- 1.1 **Scope.** The provisions of this Schedule apply to all communications activities related to any Funds and Eligible Projects.
- 1.2 **Definition.** Communications activities may include (but are not limited to) public or media events, news releases, reports, web articles, blogs, project signs, digital signs, publications, success stories and vignettes, photo compilations, videos, advertising campaigns, awareness campaigns, editorials, award programs, and multi-media products.

2. INFORMATION SHARING REQUIREMENTS

- 2.1 **Notification requirements.** The Recipient must report all active Eligible Projects to AMO in advance of construction each year. Reports must be submitted in an electronic format deemed acceptable by AMO.
- 2.2 **Active Eligible Projects.** Active Eligible Projects are those Eligible Projects that either begin in the current calendar year or are ongoing in the current calendar year.
- 2.3 **Information required.** The report must include, at a minimum, the name, category, description, expected outcomes, anticipated CCBF contribution, anticipated start date, and anticipated end date of each active Eligible Project.

3. PROJECT SIGNAGE REQUIREMENTS

- 3.1 **Installation requirements.** Unless otherwise approved by Canada, the Recipient must install a federal sign to recognize federal funding for each Eligible Project in accordance with design, content, and installation guidelines provided by Canada.
- 3.2 **Permanent signs, plaques, and markers.** Permanent signage, plaques, and markers recognizing municipal or provincial contributions to an Eligible Project must also recognize the federal contribution and must be approved by Canada.
- 3.3 **Responsibilities.** The Recipient is responsible for the production and installation of Eligible Project signage in accordance with Section 3 of this Schedule E, except as otherwise agreed upon.
- 3.4 **Reporting requirements.** The Recipient must inform AMO of signage installations in a manner determined by AMO.

4. DIGITAL COMMUNICATIONS REQUIREMENTS

- 4.1 **Social media.** AMO maintains accounts dedicated to the CCBF on several social media networks. The Recipient must @mention the relevant account when producing content that promotes or communicates progress on one or more Eligible Projects. AMO's CCBF-dedicated social media accounts are identified on www.buildingcommunities.ca.

4.2 **Websites and webpages.** Websites and webpages created to promote or communicate progress on one or more Eligible Projects must recognize federal funding using either:

- a) A digital sign; or
- b) The Canada wordmark and the following wording (as applicable):
 - i. “This project is funded in part by the Government of Canada”; or
 - ii. “This project is funded by the Government of Canada”.

The Canada wordmark or digital sign must link to www.infrastructure.gc.ca. Guidelines describing how this recognition is to appear and language requirements are posted at <http://www.infrastructure.gc.ca/pub/signage-panneaux/intro-eng.html>.

5. REQUIREMENTS FOR MEDIA EVENTS AND ANNOUNCEMENTS

- 5.1 **Definitions.** Media events and announcements include, but are not limited to, news conferences, public announcements, and the issuing of news releases to communicate the funding of Eligible Projects or achievement of key milestones (such as groundbreaking ceremonies, grand openings, and completions).
- 5.2 **Authority.** Canada, AMO, or the Recipient may request a media event or announcement.
- 5.3 **Notification requirements.** Media events and announcements must not proceed without the prior knowledge and agreement of AMO, Canada, and the Recipient.
- 5.4 **Notice.** The requester of a media event or announcement must provide at least fifteen (15) business days’ notice to other parties of their intention to undertake such an event or announcement. If communications are proposed through a news release with no supporting event, Canada additionally requires five (5) business days with the draft news release to secure approvals and confirm the federal representative’s quote.
- 5.5 **Date and location.** Media events and announcements must take place at a date and location that is mutually agreed to by the Recipient, AMO and Canada.
- 5.6 **Representatives.** The Recipient, AMO, and Canada will have the opportunity to participate in media events and announcements through a designated representative. Each Party will choose its own designated representative.
- 5.7 **Responsibilities.** AMO and the Recipient are responsible for coordinating all onsite logistics for media events and announcements unless otherwise agreed on.
- 5.8 **No unreasonable delay.** The Recipient must not unreasonably delay media events and announcements.
- 5.9 **Precedence.** The conduct of all joint media events, announcements, and supporting communications materials (e.g., news releases, media advisories) will follow the [Table of Precedence for Canada](#).

- 5.10 **Federal approval.** All joint communications material related to media events and announcements must be approved by Canada and recognize the funding of all contributors.
- 5.11 **Federal policies.** All joint communications material must reflect Canada's Policy on Official Languages and the Policy on Communications and Federal Identity.
- 5.12 **Equal visibility.** The Recipient, Canada, and AMO will have equal visibility in all communications activities.

6. PROGRAM COMMUNICATIONS

- 6.1 **Own communications activities.** The Recipient may include messaging in its own communications products and activities with regards to the use of Funds.
- 6.2 **Funding acknowledgements.** The Recipient must recognize the funding of all contributors when undertaking such activities.

7. OPERATIONAL COMMUNICATIONS

- 7.1 **Responsibilities.** The Recipient is solely responsible for operational communications with respect to the Eligible Projects, including but not limited to, calls for tender, construction, and public safety notices. Operational communications as described above are not subject to the federal official languages policy.
- 7.2 **Federal funding acknowledgement.** Operational communications should include, where appropriate, the following statement (as appropriate):
 - a) "This project is funded in part by the Government of Canada"; or
 - b) "This project is funded by the Government of Canada".
- 7.3 **Notification requirements.** The Recipient must share information promptly with AMO should significant emerging media or stakeholder issues relating to an Eligible Project arise. AMO will advise the Recipient, when appropriate, about media inquiries received concerning an Eligible Project.

8. COMMUNICATING SUCCESS STORIES

- 8.1 **Participation requirements.** The Recipient must work with Canada and AMO when asked to collaborate on communications activities – including, but not limited to, Eligible Project success stories (including positive impacts on housing), Eligible Project vignettes, and Eligible Project start-to-finish features.

9. ADVERTISING CAMPAIGNS

- 9.1 **Responsibilities.** The Recipient may, at its own cost, organize an advertising or public information campaign related to the use of the Funds or Eligible Projects, provided that the campaign respects the provisions of this Agreement.

9.2 **Notice.** The Recipient must inform Canada and AMO of its intention to organize a campaign no less than twenty-one (21) working days prior to the launch of the campaign.

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Subject: 2023 Portfolio Investments Report

Date: July 17, 2024

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the 2023 Portfolio Investments Report, providing a summary of the performance of the City of London's investments, **BE RECEIVED** for information.

Executive Summary

This report provides a summary of the performance of the City of London's portfolio investments (unconsolidated) in 2023 along with a summary of the prevailing market conditions. This report satisfies the legislative requirement for an annual investment report.

In 2023, the City's total portfolio investment income was approximately \$82 million on an all-in basis (inclusive of realized income and unrealized gains), of which \$78.5 million was from reserve fund investments and \$3.5 million was from operating fund investments. Of the total reserve funds income, \$29.3 million was realized income and \$49.2 million was from unrealized gains in the value of investments. Operating income of \$3.5 million was all realized investment income. It should be noted that these figures only include income from portfolio investments and exclude interest earnings on the City's bank accounts.

In 2023, interest rates rose further from the level experienced in the prior year. Given the City's heavy emphasis on fixed income securities (e.g. bonds, guaranteed investment certificates), the overall interest rate environment greatly influences the City's investment returns.

This report also provides a summary of the service review of the City's investment management function that was initiated in 2023. This review resulted in bringing the management of this function in-house and a change to the City's investment custodian service provider. This review resulted in net savings of approximately \$800K annually (operating and reserve funds combined), noting that direct operating budget savings of approximately \$120K per year will be brought forward as a budget amendment in the 2025 Annual Budget Update.

Linkage to the Corporate Strategic Plan

Council's 2023-2027 Strategic Plan for the City of London identifies 'Londoners experience good stewardship, exceptional and valued service' as an outcome of the strategic area of focus - "Well Run City". Management of the City of London's portfolio investments in line with the Council approved Investment Policy and its stated objectives supports this area of focus and links to the strategy to 'Review, update and implement the City's strategic financial principles, policies and practices'.

Analysis

1.0 Background Information

As outlined in Ontario Regulation 438/97, the City Treasurer is required to provide an annual investment report to Municipal Council. The report, at a minimum, shall contain the following;

- a) a statement about the performance of the portfolio of investments during the period covered by the report;
- b) a description of the estimated proportion of the total investments that are invested in its own long-term and short-term securities to the total investments of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report;
- c) a statement by the treasurer as to whether or not, in their opinion, all investments are consistent with the investment policies and goals adopted by the municipality;
- d) a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security;
- e) such other information that Municipal Council may require or that, in the opinion of the treasurer, should be included;
- f) a statement by the treasurer as to whether any of the investments fall below the standard required for that investment during the period covered by the report; and,
- g) the details of the proposed use of funds realized in the disposition of an investment for which the City sold as a result of a decline in rating below the standard required by Ontario Regulation 438/97.

This report meets the above requirements.

2.0 Discussion and Considerations

2.1 Portfolio Investments and Performance:

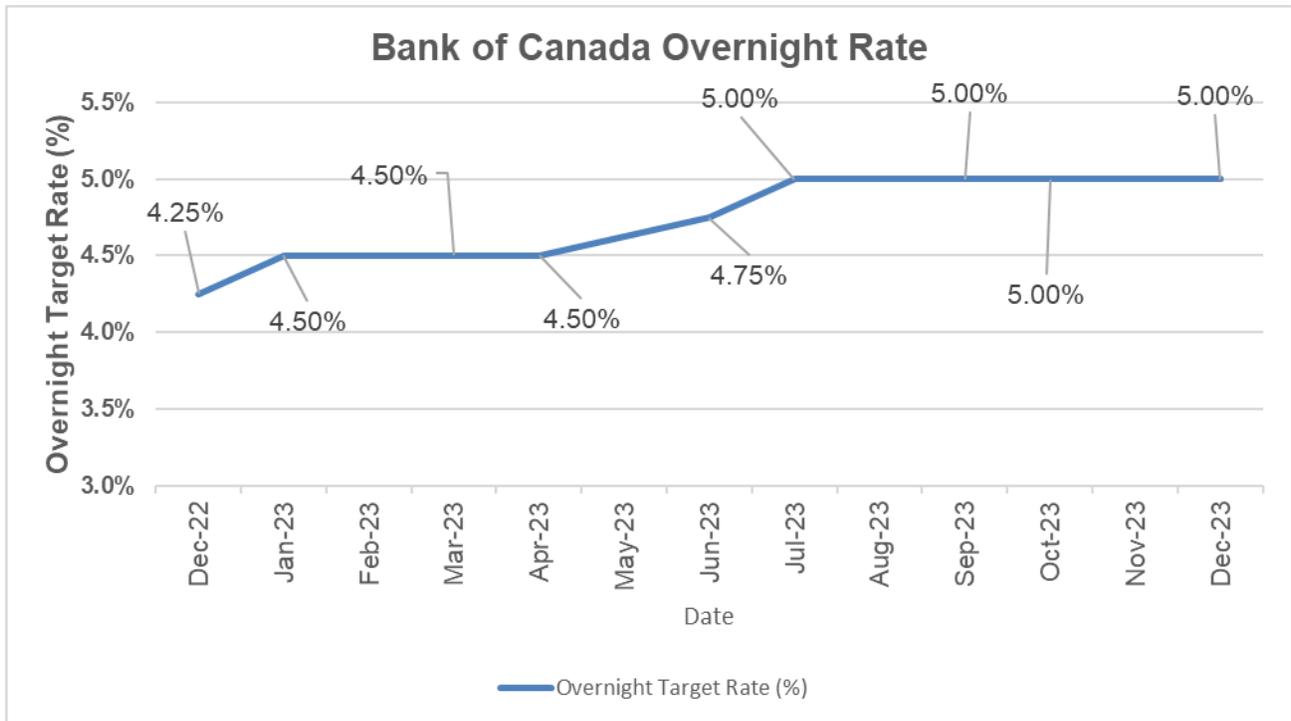
Portfolio Balance:

In 2023, the City of London (the "City") investment portfolio consisted of investments in securities prescribed under Ontario Regulation 438/97. As at December 31, 2023, the City's investment portfolio included government bonds, treasury bills, corporate bonds, ONE Canadian equity portfolio, guaranteed investment certificates (GICs) and principal protected notes. A summary of the City's investment portfolio at year-end is attached as Appendix "A". The City's investment portfolio contains over 300 securities.

Market Summary for 2023:

The overnight policy rate is the Bank of Canada's (BOC) primary monetary policy instrument. The BOC raised its overnight target rate three times in 2023 between January and July from 4.25% to 5%; where it held from July until December (see Figure 1).

Figure 1 – Change in BOC overnight target rate over 2023



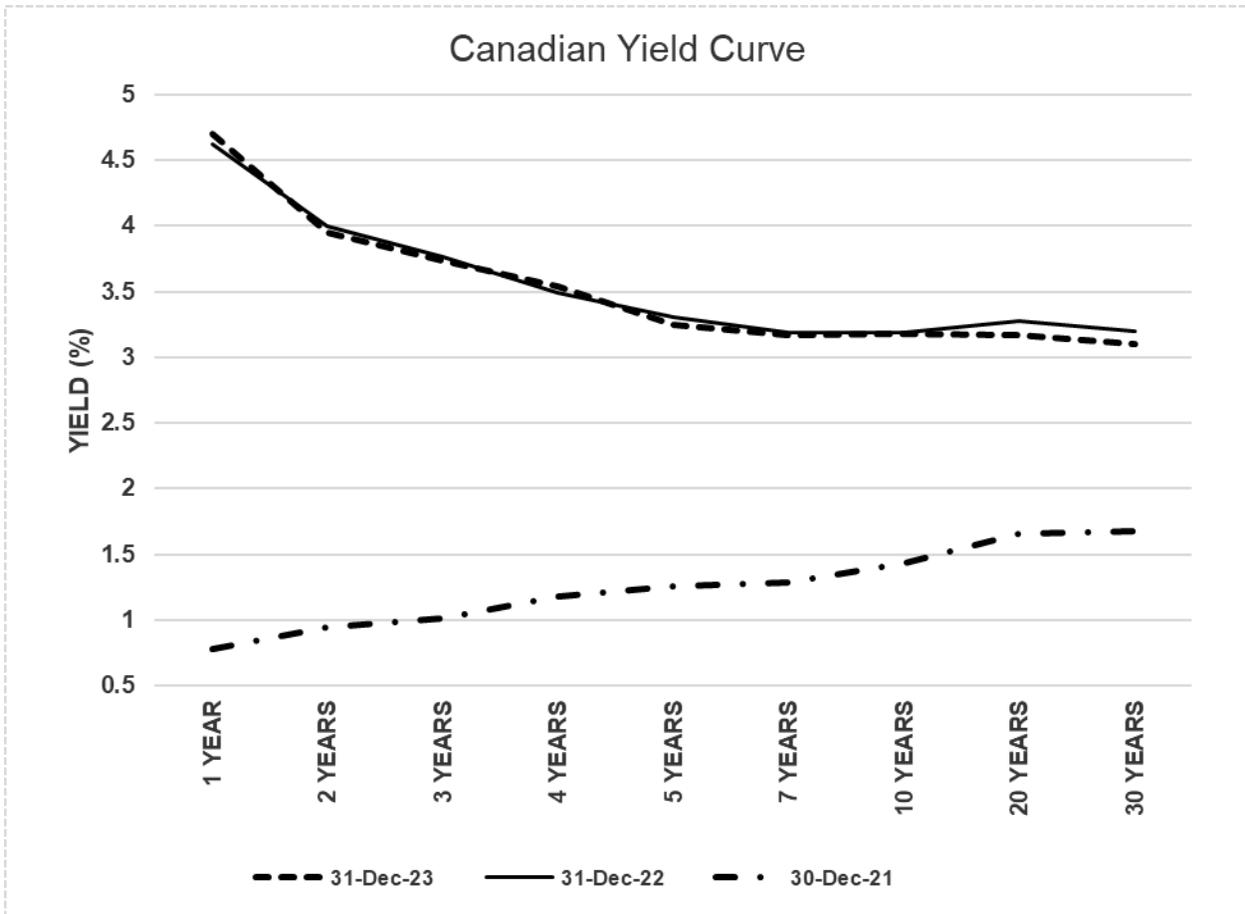
Source: BOC

The BOC overnight rate has a close relationship to the interest rates on various fixed income investments held by the City of London, including GICs, government bonds and corporate bonds. Financial market expectations regarding the future BOC overnight rate most directly influence the interest rates available on short-term bonds and GICs. As the overnight rate remained high over the course of 2023, so too have the rates on short-term bonds and GICs. Longer-term interest rates are more influenced by longer-term market expectations regarding future economic conditions.

Generally, longer-term fixed income securities yield a higher rate of interest (“term premium”) compared to shorter-term products to compensate for the commitment and risks of holding the investment for a longer period. However, the financial conditions of 2022 which resulted in an “inverted yield curve”, whereby the rates on shorter-term bonds are equal to or greater than those available on long-term bonds, persisted in 2023.

Figure 2 provides an overview of the Government of Canada bond yield for various durations, demonstrating how yields have remained elevated in the past two years and the yield curve inverted.

Figure 2 - Government of Canada Yield Curve

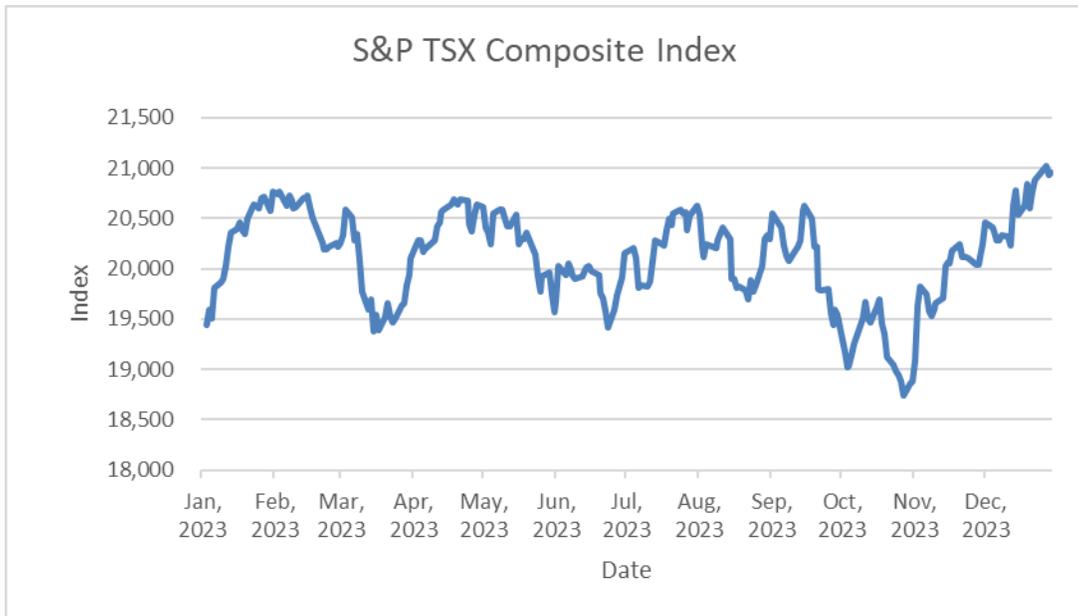


Source: Refinitiv

Historically the inversion of the yield curve has not persisted for an extended period; however, it presents an added layer of complexity to investment decisions while it persists. While higher yields can often be achieved by investing in short-term products during an inverted yield curve period, the unknown re-investment risk (i.e. the rates that will be available when that investment matures in a year or two) needs to be balanced against the short-term benefits that can be realized.

The Canadian equity market (as measured by the S&P TSX Composite Index) was resilient in 2023, experiencing a major recovery from the prior year to close on a strong note with an 8.1% annual growth (see Figure 3). While equity investments comprise a relatively small portion of the City's investment portfolio (maximum 15% per policy) compared to fixed income investments, they are closely monitored as well.

Figure 3 - S&P TSX Composite Index 2023 Chart



Source: Refinitiv

Economic and market conditions will continue to be monitored to inform investment decisions accordingly, within the parameters of the City's Investment Policy.

Investment Strategy:

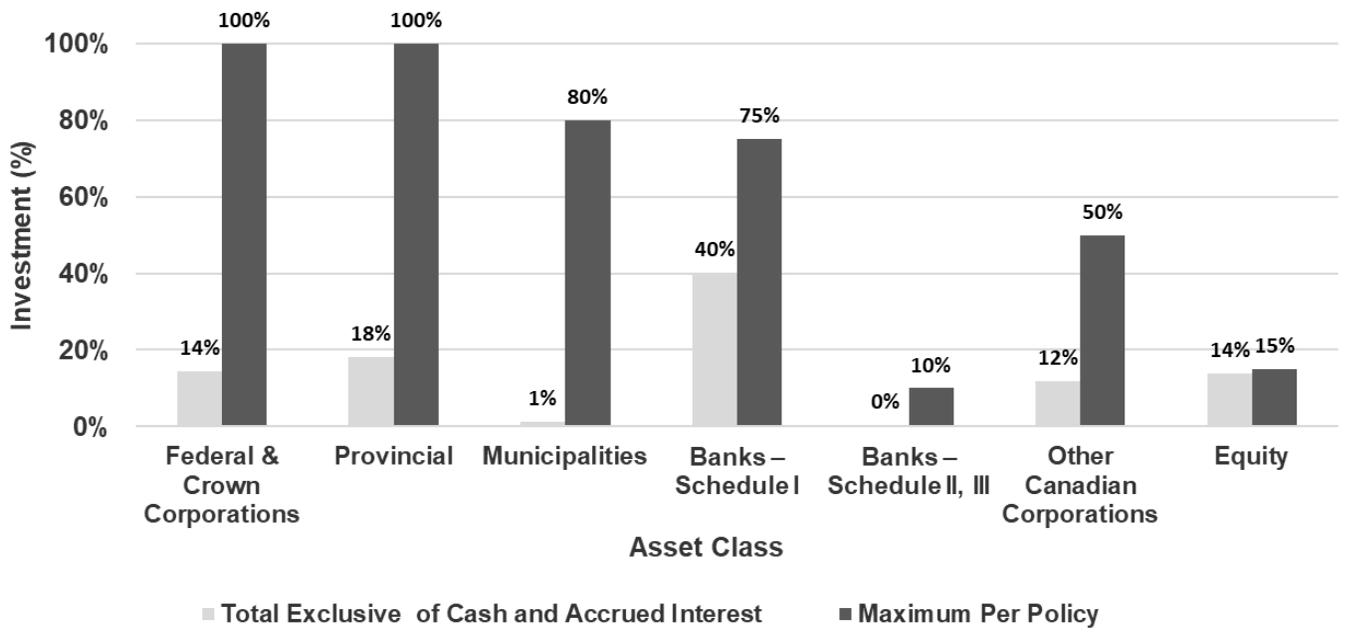
As outlined in the City's Investment Policy, the City's overall investment strategy is to invest funds in a manner that prioritizes:

1. Adherence to statutory requirements
2. Preservation of capital
3. Maintenance of liquidity
4. Achieving a rate of return sufficient to maintain the purchasing power of invested funds

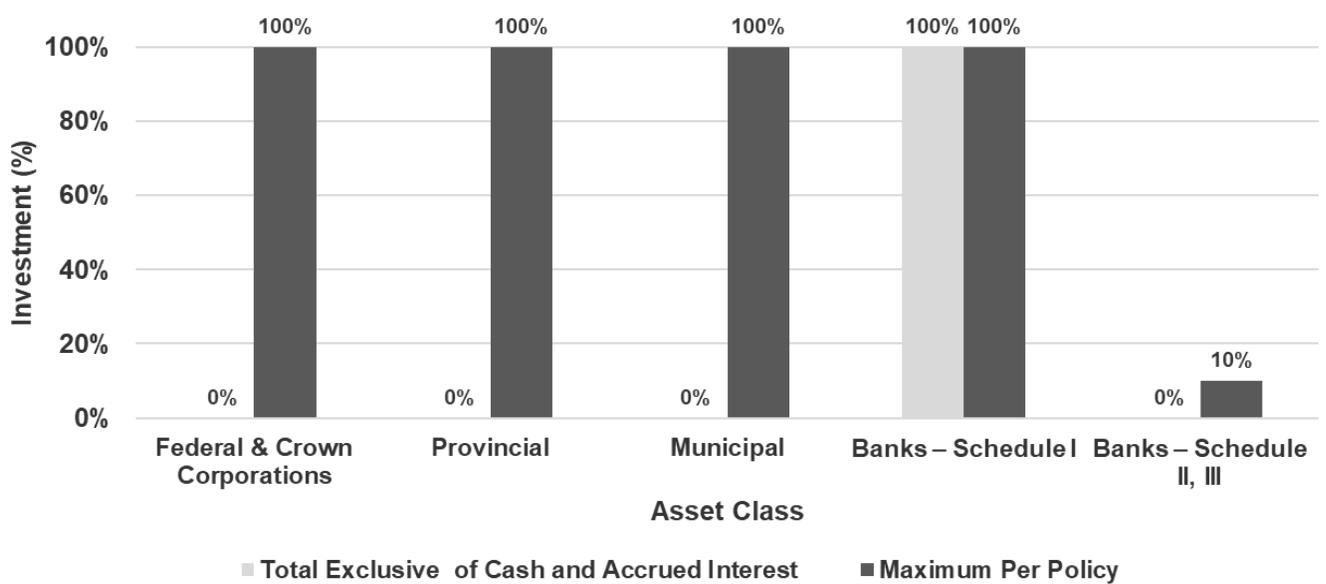
The City's strategy includes building a liquid and diversified portfolio while being mindful of the limitations of the portfolio. No significant changes were made to the City's Investment Policy in 2023.

Below is a comparison of the City's investments in each asset class to the maximum allowed for each asset class, as set out in the City's current Investment Policy:

Total Reserve Funds Investment vs Maximum Per Policy As At December 31, 2023



Total Operating Funds Investment vs Maximum Per Policy As At December 31, 2023



Note: With the exception of the “Equity” category, all other categories are fixed income investments.

Investment Income:

The table below shows a breakdown of the City’s average annual yield for 2023 and components of portfolio investment income.

Fund	Realized Income (Million \$)	Unrealized Income (Million \$)	All-In Income (Million \$)	All-In Yield %
Reserve Funds	29.3	49.2	78.5	6.3
Operating Funds	3.5	0	3.5	4.1

For comparative purposes, 2022 realized income was \$19.2 million for reserve funds and \$1.2 million for operating funds, representing a realized yield of 1.7% for reserve funds and 2.7% for operating funds. Due to the implementation of new accounting standards,

comparative information will be reported on an all-in basis (realized and unrealized income) going forward.

These figures include income from portfolio investments only and exclude interest earnings on the City's bank accounts (see section 2.2). It should be noted that the City's fixed income investments are predominately fixed coupon paying or zero-coupon securities and therefore the rates do not "float" according to overall market rates. The City's reserve fund investments are generally longer-term in nature and reflect a mix of securities purchased over an extended period, some during a much lower yield environment. The City's operating funds, with a shorter-term time horizon, have been able to take advantage of the rising interest rate environment to a greater extent. Overall, there was an increase in the total portfolio yield compared to 2022.

In accordance with the Municipal Act, 2001 (the "Act"), interest and net capital gains/losses earned on reserve fund investments are allocated to all reserve funds on a prorated basis and are used for the purpose for which the reserve fund was created.

Eligible Investments (Statement of Compliance):

The Act stipulates that a municipality may invest in securities prescribed under Ontario Regulation 438/97. All investments meet the eligibility requirements as prescribed by Ontario Regulation 438/97 and were made in accordance with the investment policies and goals adopted by the City.

Investment in Own-Securities:

Ontario Regulation 438/97 requires that the City report the estimated proportion of total investments that are invested in its own long-term and short-term securities to the total investments held by the municipality. In 2023, the City did not hold or purchase any of its own securities, reflecting no change in proportion of own securities to total investments from the previous year's report.

Investment Standards:

All investments were done within the standards required by the Ontario Regulation 438/97 and the Council approved Investment Policy. None of the investments fell below the standards during the period covered by this report.

Investment Ratings:

Ontario Regulation 438/97 requires that the City invest in eligible fixed income investment securities that are rated and the credit rating falls within prescribed levels by the credit rating agencies as stated within the Act. The minimum credit rating required is stipulated in the Council approved Investment Policy. All investments met the credit rating requirement as prescribed by Ontario Regulation 438/97; the City did not dispose of any investment due to decline in credit rating within the period covered under this report.

2.2 Non-Portfolio Investments Interest Earned

In addition to portfolio investments, the City of London earns interest on cash and cash equivalents (e.g. the City's bank accounts). Interest on non-portfolio investments is grouped and included as investment income as part of the City's Multi-Year Budget and Financial Statements. In 2023, operating funds interest earned on non-portfolio investments amounted to \$19.4 million (2022 - \$10 million) and reserve funds non-portfolio investments interest earned amounted to \$9.6 million (2022 - \$5.5 million). The increased earnings on operating funds contributed to the investment income surplus reported in the 2023 Year-end Operating Budget Monitoring Report, noting that adjustments were made to the investment income budget as part of the 2024-2027 Multi-Year Budget and that the investment income budget is being further reviewed as part of 2025 Budget development.

In 2023, the Trust Fund interest earned on non-portfolio investments amounted to \$135 thousand (2022 - \$72 thousand).

3.0 Key Issues and Considerations

3.1. Investment Management Service Review

In 2023, Civic Administration began a service review on the City's investment management function. Civic Administration focused its review on two major areas of the investment management function: custodial and reporting services and use of external investment managers related to fixed income securities. This review was aligned and linked with the introduction and implementation of new accounting standards that impacted portfolio investments in fiscal year 2023. Changes to the City's Investment Policy were not part of the scope of this service review.

Throughout 2023, Civic Administration performed due diligence by piloting a new custodian for a short-term fixed income portfolio. This portfolio was managed directly by Civic Administration through established relationships developed with fixed income desks at the City's various financial institution partners. It was concluded that the piloted custodian provided enhanced reporting and monitoring capabilities and was more aligned with institutional requirements. Furthermore, due diligence confirmed that the City of London could successfully manage fixed income portfolios without the use of an external investment manager. The City of London was one of only a few similarly sized municipalities across Canada utilizing external managers for portfolio management, resulting in above average investment management expense ratios.

In the first half of 2024, Civic Administration initiated the transfer of custodial services as well as in-sourcing of the investment management function for the remainder of the City's investment portfolio (excluding the equity portion, which is legislatively restricted to the ONE Canadian Equity program). Previous external investment management services and custodial services were ceased in Q2 2024. Securities were moved in-kind avoiding any adverse transactions and preserving invested positions. This transition also provided the opportunity for the consolidation of multiple accounts for ease of administration. These changes have now been fully completed as of the writing of this report.

While evaluating the costs, savings and resourcing requirements to initiate this change, Civic Administration has determined that there are net direct and indirect savings of approximately \$800K annually. Included in this amount is approximately \$120K of direct annual operating budget savings, which will be included in a 2025 Annual Budget Update Amendment to provide a permanent reduction to the property tax levy. The remainder reflects net annual savings to reserve funds when assessing the savings from reduced custodial fees and external management fees net of the additional costs of in-sourcing. This will result in the City's suite of reserve funds retaining more net investment income, which may allow future contributions to certain reserve funds to be adjusted accordingly over time to achieve and maintain the respective target balances, which in turn may result in future tax levy savings. It should be noted that the Municipal Act requires that investment income earned on reserve funds be credited to those respective funds, so additional investment income earned on reserve funds cannot be utilized as a direct reduction to the tax levy.

In Q3 and Q4 of 2024, the final phase of this service review will be completed. This last phase is an evaluation of existing retail brokerage relationships versus institutional money market/deposit accounts. There are no additional budget amendments expected from this phase. The focus of this portion of the review is on operational efficiencies from possible institutional reporting capabilities. A secondary consideration is potential savings in commissions and potentially increased yields. Any yield increases realized would be considered when evaluating the City's total investment income budget in future years.

Conclusion

This report provides an overview of the City of London's portfolio investments in the context of financial market conditions in 2023. Investment income increased in 2023 with the City maintaining adequate liquidity and preserving its capital. Furthermore, this report satisfies the various reporting requirements as outlined in the Municipal Act, confirming investments remained compliant with legislative requirements and the applicable Investment Policy.

Prepared by: **Folakemi Ajibola, CTP, ACMA, CGMA Manager, Financial Modelling, Forecasting and Systems Control (Treasury)**
Martin Galczynski, CPA, CA, CIM, Manager, Financial Planning and Policy

Submitted by: **Kyle Murray, CPA, CA, Director, Financial Planning and Business Support**

Recommended by: **Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports**

Attachment: Appendix A

Appendix “A” – Portfolio Investments (Unconsolidated) (As of December 31, 2023)

Category	Internally/ Externally Managed	Total Amount (Operating + Reserve Fund) (thousands)	% of Portfolio	Operating Fund Amount (thousands)	% of Portfolio	Reserve Fund Amount (thousands)	% of Portfolio
Guaranteed Investment Certificates	Internal	231,102	16.81%	28,230	2.05%	202,872	14.76%
Fixed Income	Internal and External	958,587	69.76%	0	0%	958,587	69.76%
Canadian Equity Pooled Funds	External	184,559	13.43%	0	0%	184,559	13.43%
Total Portfolio		1,374,248	100%	28,230	2.05%	1,346,018	97.95%
Total Internally Managed	Internal	307,498	22.38%	28,230	2.05%	279,268	20.32 %
Total Externally Managed	External	1,066,750	77.62%	0	0%	1,066,750	77.62%
Total Portfolio		1,374,248	100%	28,230	2.05%	1,346,018	97.95%

Note: Fixed Income and Canadian Equity Pooled Funds are measured at fair value and Guaranteed Investment Certificates (GICs) are measured at cost.

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, Deputy City Manager, Finance Supports

Subject: City of London Vacant Residential Property Study

Date: July 17, 2024

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions be taken with respect to the consideration to implement a vacant home tax in London:

- a) That the “City of London Vacant Residential Unit Study – Vacant Home Tax Feasibility Review Report” (Appendix A) BE RECEIVED for information.
- b) At this time, the Civic Administration TAKE NO FURTHER ACTION towards implementation of a Vacant Home Tax using the mandatory declaration model; and,
- c) That Civic Administration BE DIRECTED to further investigate the alternative strategies identified in the study to reduce the number of vacant residential units.

Executive Summary

In the fall of 2023, the City of London engaged Ernst & Young (EY) to undertake a vacant residential unit study to determine the viability of a vacant home tax. Based on the work undertaken, where EY examined the housing market, policy tools, and the feasibility of a vacant home tax, the payback period would be between 17 – 18 years. This conclusion was based on the predominant model used by other communities, as the mandatory declaration model. However, it was recently reported that the City of Windsor just recently introduced a vacant home tax using another approach altogether. As result, Civic Administration is recommending that no further investigation be taken to explore a mandatory declaration vacant home tax model, but rather investigate other strategies that the City could utilize.

Linkage to the Corporate Strategic Plan

Council’s 2023 to 2027 Strategic Plan for the City of London identifies “Housing and Homelessness” as a strategic area of focus where the City of London is a leader and builds partnerships to increase quality, affordable, and supportive housing options. Undertaking a study of vacant residential units and strategies to reduce this number helps support the goal to increase the supply, range, and depth of affordability of quality housing.

Analysis

1.0 Background Information

1.1 Definition of a Vacant Home Tax

A Vacant Home Tax (VHT) is an additional charge levied against any qualifying property in a municipality. The “Vacant” classification is determined by rules and parameters established by the individual municipality. The VHT is calculated in the same manner as property taxes, which is Assessed Value times the Tax Rate.

1.2 Previous Reports

- Corporate Services Committee, January 31, 2022, Consent Item # 2.2, Considerations and Viability to Implement a Vacant Home Tax in London
- Corporate Services Committee, September 11, 2023, Consent Item # 2.4, RFP 2023-124 Consultant Services for City of London Vacancy Residential Property Study Award – Irregular Result

1.3 Legislated Ability to Impose a Vacant Home Tax

On May 17, 2017, Bill 127 – *The Stronger, Healthier Ontario Act (Budget Measures), 2017*, received Royal Assent. The amendment to the *Municipal Act, 2001*, consisted of adding *Part IX.1 Optional Tax on Vacant Residential Units*.

Under section 338.2 of the *Municipal Act, 2001*, municipalities can impose a tax on the assessment of vacant residential units. Prior to the 2024 Ontario Budget, a designation by the Minister of Finance was required to allow the City of London as having the power to impose such a tax. The province indicated that the following steps would be required to seek 'designation':

- Provide evidence of public consultation
- Provide evidence of local and upper-tier engagement
- Illustrate revenue yields
- Enable a bylaw which identifies tax rate and conditions of vacancy as well as potential exemptions, rebates, etc.

The Ontario Budget, released in March 2024, has updated two aspects of the optional tax tool. The first is to eliminate the need for municipalities to obtain permission from the Minister of Finance (through designation) to implement a VHT. The second will be the publication of a "Best Practices" guide. Although designation is no longer required, the required steps previously in place to achieve designation are still recommended.

Prior to enacting a VHT, municipalities must pass a residential vacant unit tax by-law that includes the following:

- Vacant tax rate
- Conditions of vacancy
- Exemptions
- Rebates of tax
- Audit and inspection powers
- Dispute resolution mechanism

1.4 Vacant Home Tax Working Group

The Province of Ontario established a working group to facilitate sharing of information and best practices among municipalities related to a vacant home tax. Municipal staff from the City of London participated in this working group between December 2022 and March 2023. Additional meetings are scheduled to occur in late summer 2024.

Ontario extended the authority for all single- and upper-tier municipalities to impose a tax on vacant homes, effective March 27, 2024. Municipalities that choose to implement a VHT will be supported with a Provincial Policy Framework which provides best practices and clarity about the expected elements of municipal VHTs and promotes consistency in their application.

These "Best Practices" include:

- Definition of vacancy
- Recommended exemptions
- Tax rate guidelines
- Tax year, collection and administration

1.5 Other Municipalities

The first municipality in Canada to charge a tax on vacant residential units was in Vancouver through their Empty Homes Tax, which came into effect in 2017. In Ontario, using the mandatory declaration model, the City of Toronto and the City of Ottawa have both implemented and commenced a VHT in 2023, while the City of Hamilton will commence taxation in 2025. The City of Windsor initiated a VHT using a complaints-based model commencing in 2024.

1.6 Toronto's Vacant Home Tax

Toronto's Vacant Home Tax (VHT) was initiated based on several factors:

- 1) An affordability gap in the Toronto housing market
- 2) Ontario Fair Housing Plan 2017 – Legislative change to Toronto Act permitting the introduction of an optional tax on vacant residential units
- 3) May 2017 Council requested a report on the feasibility of implementing a vacant home tax

Public engagement took place in 2017 to gauge support for a potential VHT. Based on report findings that the public supported the concept of a VHT, a consultant was procured to provide professional advice in 2020. The consultant study resulted in approval of the tax and direction to report back on VHT design features. A July 2021 report set key tax concepts for refinement, further consultation, and a target of the end of 2021 for a final VHT by-law.

The implementation process, including consultation, produced the following findings:

- Housing market conditions and preponderance of homes left vacant justifies the implementation of VHT in Toronto
- Goal of the tax is to transition vacant homes back into actively occupied homes to improve housing availability.
- Prudent to follow the design and implementation approach employed in Vancouver
- Mandatory declarations required with permissible exemptions
- Start up costs estimated at \$11 million
- Estimated revenues of \$55-66 million annually
- Net annual revenues could be dedicated to affordable housing initiatives.

Toronto required mandatory declarations in 2023 which yielded 2,100 declarations of vacancy which represents 0.23% of the total residential units. As the initial revenue estimates were based on 1% of total residential units, the actual revenue of declared vacant units falls far short of the estimate.

Residential property owners who did not submit a declaration were deemed to have vacant properties and were sent a VHT bill. In 2024, over 170,000 VHT bills were issued, the majority of which were based on no declaration made by the property owner. This resulted in over 60,000 VHT related complaints and calls from the media to “axe the VHT.”

The lower than estimated revenue, public relations concerns, and increased cost of billing, mailing, and subsequently reversing tens of thousands of VHT charges illustrate the need for caution when deciding whether to implement a VHT.

1.7 Ottawa's Vacant Unit Tax

On June 9, 2021, the City of Ottawa Council approved a report from their Finance and Economic Development Committee on the implementation of a residential vacant unit tax.

Public engagement regarding a proposed Vacant Unit Tax (VUT) was completed using a survey which revealed 77% of respondents in support of a residential VUT. Based on Council approval and public support, a VUT framework was drafted.

Details of the initial framework are as follows:

Vacant Unit Definition: A residential unit would be considered vacant if it has been unoccupied for an aggregate of more than 184 days during the previous calendar year.

Mandatory Declaration: Every homeowner in Ottawa would be required to declare to the City if their home is occupied or vacant each year. Residents who do not report their status to the City would be automatically deemed vacant.

Tax rate: 1.0%

Estimated Revenue: Staff estimated that between 0.25% and 1.0% of the eligible residential properties in Ottawa will be subject to the tax, which equates to a number between 760 to 3,000. The estimated revenue in the first year would be \$6.6 M with an additional \$29.4 M estimated for the following five years.

Estimated Program Costs: Estimated start-up costs are \$3.5 M over 2.5 years after which the ongoing operating costs would be \$1.3 M annually. A complement of 8 full-time employees will be required for the administration of the program.

Timing: The first year of vacancy declaration was 2022. Residents were required to declare occupied or vacant at the beginning of 2023 for the 2022 calendar year. The properties that are deemed or declared vacant were billed starting in 2023.

At a Council meeting on June 12, 2024, in response to a Council Member Inquiry, administration disclosed that the total VUT expenses for 2022-2023, the first year of the VUT implementation, were 2.28 million. The VUT levied in 2023 was \$11.47 million. The net proceeds of \$9.2 million were invested into affordable housing initiatives in the City.

As of April 30, 2024, 3,368 units have been charged for the 2022 occupancy year. Initially, 6,104 were identified as vacant and charged the VUT. There were 3,206 (53%) appeals of which 2,736 were successful.

The VUT in Ottawa did receive some media scrutiny and survived a Councillor challenge to cancel it in 2023. Based on the number of eligible vacant properties and the resulting positive net revenue, the VUT program is viable and successful for the City of Ottawa.

1.8 Hamilton's Vacant Unit Tax

A February 25, 2021, City of Hamilton staff report, Considerations to Implement a Vacant Home Tax in Hamilton, provided analysis of Hamilton's Housing market, challenges related to identifying vacant units, the estimated cost and revenue associated with implementing a VHT and desired outcomes. This began the process of investigating and implementing a VUT in Hamilton.

In a follow-up report, a Residential Vacant Unit Tax Framework was provided on January 18, 2023 to Hamilton's General Issues Committee. That report provided the following:

- **Mandatory declaration:** All owners of eligible properties must submit an annual mandatory declaration on the status of their property. Failure to submit a declaration will result in the property being deemed vacant and made subject to the VUT
- **Tax Rate:** 1.0%
- **Exemptions:** Death of an owner, major renovations, sale of property, principal resident is in care, institutionalized or hospitalized.

- Fees, Fines, Penalties:
 - \$250 late mandatory declaration fee
 - Penalty of 1.25% on the first day of default and interest of 1.25% per month
- Estimated Cost:
 - \$2.6 million implementation cost
 - \$2.2 million annual operating costs including 16 full-time equivalents
- Estimated revenue: \$3.3 million in net revenue during the 2023 – 2028 period, based on 1,135 properties paying the tax.

After several years of analysis, consultation, and expenditures of approximately \$300,000, the VUT by-law to implement the tax was defeated at a November 2023 Council meeting. However, in January 2024, a resolution to prepare a Vacant Unit Tax by-law was reintroduced and carried and the VUT by-law was passed on April 24, 2024.

The first year the tax will be payable is 2025, based on the status of the property in 2024. Similar to other municipalities, Hamilton will set the VUT rate at 1% of the property’s current value assessment for the effective year, and any net revenue generated will be reinvested into housing initiatives. All residential property owners will be required to submit a mandatory declaration of occupancy or vacancy.

1.9 Windsor’s Vacant Home Tax

On June 11, 2024, the City of Windsor officially launched a separate tax on vacant municipal residential properties (VHT). The Windsor VHT program is a community-driven process that will not require all property owners to complete a mandatory declaration of occupancy status. Only those properties suspected to be unoccupied, based on resident complaints and staff observations, will require a declaration to be completed.

Windsor is applying a tax of 3% of the assessed value of the property for the “Vacancy Reference Year.” In the 2024 Billing Year, the City of Windsor will calculate the VHT as 3% of the 2023 assessment value.

The estimated costs and revenues are significantly lower for this complaints-based model as opposed to the mandatory declaration model used by most municipalities and Windsor has budgeted net revenue of \$100,000 in the first year of the VHT. However, as stated in a staff report to council November 27, 2023, there is no ability for Administration to estimate the total revenue expected until more information is available.

City of London Administration will continue to monitor the VHT program in Windsor to identify whether this approach would be a viable option in London.

1.10 RFP Process and Selection

Request for Proposal 2023-124: Consultant Services for City of London Vacant Residential Property Study was issued in June 2023 with a closing date of July 13, 2023. The purpose of the RFP was to study and validate the number of vacant residential properties in the City of London and identify potential mitigation measures to reduce the number of vacant residential properties.

The key deliverables of this study were:

- To provide in a report the findings and analysis including key metrics relating to:
 - Housing supply and market conditions in the City of London
 - Methods used to identify vacant homes in the City of London
 - The extent to which vacant homes affect the supply of affordable housing and rental rates in the City of London
 - Identify potential strategies to reduce the number of vacant homes.

On September 26, 2023, Council approved the acceptance of the proposal for consultant services submitted by Ernst and Young (EY). In their proposal, EY demonstrated a thorough understanding of the challenges associated with the identifying vacant residential properties, and provided strategies to overcome potential challenges, confirming their suitability for this engagement. A key element of their proposal included demonstrating value to the Corporation through established expertise in understanding and assisting municipalities with extensive experience in analysis and implementation of a vacant home tax at various Canadian municipalities.

2.0 Key Findings and Considerations

2.1 Guiding Principles

A tax on vacant residential properties is designed primarily as a housing tool rather than a revenue tool. The main objective of implementing a Vacant Home Tax (VHT) is to encourage owners to occupy empty properties to increase the supply of housing. Costs to administer the program would be covered by the VHT, where any surplus resulting from a vacant home tax would then be used to fund programs which increase the supply of affordable housing. Prior to implementing a VHT, analysis is required to ensure such a tax would achieve the goal of an increased housing supply.

The implementation of a VHT must be fair and equitable. If adopted, the VHT should provide definitions of appropriate properties eligible to be taxed and identify exemptions.

The residential VHT should be implemented with the least administrative burden to the City of London and its residents.

2.2 Purpose of the Vacant Residential Unit Study

The City of London faces growing concerns with housing affordability. The increased cost of living has further exposed the urgency with which the City will need to focus on rising affordability challenges. London's population growth, sharp increases in house prices, and Ontario's housing development targets contribute to the urgent need for affordable housing in the City.

The objective of the consulting engagement was to understand London's housing market dynamics and the City's options for action, including:

- Studying and validating the number of vacant residential properties
- Identifying potential measures to reduce the number of vacant residential properties
- Conducting an initial feasibility review of a Vacant Home Tax (VHT) in London

2.3 Housing Market and Policy Tools

The consultant, EY, performed an analysis of the London housing market and policy tools to reduce vacancy. This analysis summarized and highlighted the City of London's residential real estate market dynamics, their implications on the potential for vacant residential units, and potential tools for the City's consideration to reduce the number of vacant residential units.

The key findings upon analysis of the real estate market are that housing demand is shifting towards rental and away from ownership, rental rates appear likely to grow faster than ownership values in the short term, and production of new housing has slowed, but the market direction is optimistic for new supply. The conclusion is that these market conditions and trends in London are disincentivizing property owners to keep residential properties vacant.

EY determined that demand in London's residential housing market is marked by several key trends, including rapid overall population growth and changes in sources of

population growth, including significant increases in internal migration, immigration, and non-permanent residents (students). Despite robust economic conditions, housing affordability challenges persist, marked by below-average incomes in London and high costs related to increased interest rates. The impact of these factors is that 70% of new household growth in recent years have been rentals. According to the report prepared by EY, the City of London is likely to remain an attractive location for immigrants and internal migrants in the long term.

Vacancy rates have been trending downward across all London submarkets, leading to significant increases in rental price growth. Simultaneously, ownership listings have increased as demand declines due to affordability challenges. Several factors contribute to an optimistic outlook for London's future supply production, including:

- Large supply of greenfield lands,
- Mature and active development sector,
- Increasing rental feasibility,
- New provincial policies, including improvements to timelines and feasibility,
- Increased federal government support for housing.

The City of London has significant approved but unbuilt housing supply, totaling between 11.5 and 17.5 years' worth of supply.

Understanding that market dynamics are very fluid and subject to change over the long term, these conditions suggest that there would be very little financial incentive for a property owner to maintain a vacant property. The cash flow associated with leasing a unit is already sizable, and market conditions suggest it will only continue to increase.

2.4 Eligible Vacant Properties

As part of the consultation, EY has estimated the scale of vacant residential properties in London to help provide an overview of the potential feasibility for a vacant homes tax (VHT), Appendix 'A' – Vacant Residential Unit Study, Vacant Home Tax Feasibility Review Report. The financial model considers two sources of VHT revenue: the vacant home tax levy and penalty revenues.

An estimation of the expected VHT levy requires an estimate of the vacancy rate using water consumption data, data in other municipalities, and other relevant market data. The eligible vacant units are calculated using eligibility rates, which is the expected share of vacant homes that are eligible for a VHT levy, based on other similar municipalities.

The number of eligible vacant units is a key parameter in the financial model to calculate the VHT revenue from the tax levy. Based on relevant inputs and assumptions, EY has estimated the number of current and expected eligible vacant units in the City of London over a 10-year timeframe. The total number of eligible units for 2023 is estimated at 408 which represents 0.3% of the total housing supply in London.

When determining if implementing a VHT makes sense, the process starts with developing an understanding of the extent to which there are properties which could be available for occupancy but are currently not. It must be determined whether the inventory is significant enough to warrant the time and expense that will be involved in implementing a VHT. Based on the analysis performed by EY, the best-case scenario is an increase to the housing supply of 408 residential units. This would only occur if the VHT was 100% successful and would result in no further revenue to fund the sunk implementation and on-going operating costs of administering the VHT.

2.5 Vacant Home Tax Feasibility Review

The purpose of the review is to provide an overview of the potential feasibility of a VHT in London. This analysis was conducted based on methodologies reviewed and

validated by City staff and customized to London's unique circumstances. The analysis is based on using the mandatory declaration model that has been used in Vancouver, Toronto, Ottawa, and in Hamilton.

Using the estimated number of eligible vacant residential units, the analysis completed toward the objectives includes:

- Analysis of potential revenue generated by a VHT using eligibility and tax rates observed in other jurisdictions,
- Conducting sensitivity analysis to determine the impacts of a range of potential tax rates and behavioural responses,
- Estimating potential implementation and ongoing operating costs related to a VHT in London

Upon completion of the analysis, the conclusion is that the number of eligible vacant homes in London may not support a VHT program. While a 1% tax rate is typically used for initial implementation, analysis shows a VHT in London may or may not break even at tax rates above 3%.

From a cost perspective, implementation and ongoing operations require incremental investment. Initial investment to establish a VHT is estimated to total \$2.6 million, largely driven by software-related implementation costs as observed in other jurisdictions. Ongoing operating costs are estimated to be \$1.9 million annually, primarily consisting of audit-related functions to enforce and maintain compliance.

The estimated revenues are insufficient to recover operating costs at the most common tax rate of 1%. At a 1% tax rate, total revenue based on the number of estimated eligible vacant homes was calculated to be approximately \$800,000, resulting in an annual loss of \$1.1 million. A VHT in London is estimated to break even at a tax rate of 3% or higher, when implementation costs are included. However, the payback period would be approximately 17-18 years. In the meantime, the objective of helping to fund affordable housing initiatives would not be met.

2.6 Strategies to Reduce Residential Vacancies

Based on the EY study, vacant homes have several potentially negative impacts on local housing markets. First, the homes may be neglected by homeowners and subsequently impact nearby property values. These units can be subject to theft, vandalism, and other forms of damage. Municipalities are often left to bear the costs to maintain, service, or even demolish vacant properties. Further, vacant homes can contribute to imbalances between supply and demand, exacerbating existing affordability challenges. Strategies to reduce the vacancy rate could encourage property owners to maintain, occupy, or rent their properties while increasing the housing supply.

A review of jurisdictions across Canada and internationally was conducted to identify strategies to reduce the number of vacant residential properties.

The review yielded four strategies focused on reducing the number of vacant residential units. The focus of many of the initiatives and strategies observed was to either increase housing supply or improve housing affordability.

Some jurisdictions have implemented programs to reduce vacancy. However, these were typically delivered by another level of government (provincial or federal).

Some strategies were observed that have been proposed but have not been implemented. Governments may introduce measures to make it more attractive for seniors to rent, sell, or renovate their existing homes into multiple apartment units, supporting low-rise housing stock and general affordability.

The four strategies that focus on reducing the number of vacant residential units are as follows:

1. Vacant Home Tax – a municipal tax applied on vacant residential units.
2. Renovation Incentive Programs – a financial incentive for homeowners to convert underutilized spaces into rental units.
3. Housing Conversion Initiatives – A financial incentive for homeowners to convert underutilized spaces into rental units.
4. Financial Penalties – A financial penalty in the form of increased municipal taxes on landlords who keep their residential units vacant.

The VHT strategy has been analyzed in detail throughout this report. Most of the analysis is based on the mandatory declaration model. Alternative models, such as the complaint-based one implemented by Windsor, will be monitored to determine the effectiveness, and the financial feasibility of this approach.

The renovation incentives program strategy aims to introduce programs that would leverage tax incentives and grants to preserve and improve aging, low-cost rental housing. The purpose is to prevent the deterioration of homes and mitigate potential reductions in rental supply. Municipalities are granted the authority to establish certain grant and loan programs under Part 3 of the *Municipal Act, 2001*. The federal and provincial levels of government currently offer programs to renovate residential programs. This type of program is currently being used in Ireland.

It is unclear whether the City of London can implement a renovation incentive program for vacant residential units. Provincial approval may be required to implement a renovation incentive program.

Housing conversion initiatives are currently in use in the Region of Peel and the City of Edmonton. This strategy focuses on extending financial or regulatory assistance to homeowners interested in converting underutilized spaces into secondary rental units. Part 3 of the *Municipal Act, 2001* provides municipalities with the authority to establish grant and loan programs. The Ontario Priorities Housing Initiative is a provincial program that uses this strategy and may help reduce vacancy in the City of London.

Some jurisdictions, such as Spain, imposed financial penalties on homeowners in the form of higher property tax rates for landlords who keep their residential properties empty for a specified period. This strategy would require legislative changes and is similar to a VHT in that it imposes a financial burden on property owners of vacant properties.

As the goal of a VHT is to increase housing supply and to use excess revenue to fund affordable housing, another strategy would be to directly fund affordable housing rather than risk implementing a VHT which may not recover implementation and operating costs.

3.0 Financial Impact/Considerations

A key financial consideration of this program is projection of potential revenues that would support the administration of the program including implementation and operating costs, as well as contribute to potentially increasing the supply of housing.

At a 1% tax rate, total revenue based on the number of estimated eligible vacant homes was calculated to be approximately \$800,000, resulting in an annual loss of \$1.1 million. A VHT in London is estimated to break even at a tax rate of 3% or higher. The average assessed value of residential properties in 2024 is \$252,000. This would result in a Vacant Home Tax bill of \$7,560 using a rate of 3%. It is probable that a property owner would appeal or otherwise try to avoid a bill in this amount.

The model used by EY estimates that, using a VHT rate of 3%, the payback period would be approximately 17-18 years. The capital invested in the program would not provide benefit for an extended period of time. Opportunity costs include foregone

interest revenue and loss of potential economic development if the capital were to be invested in a project with similar objectives and a shorter payback period.

Based on the analysis performed by EY, the best-case scenario is an increase to the housing supply of 408 residential units or 0.3%. The potential benefit is not sufficient to justify the risk of committing to implementation costs of \$2.6 million and annual operating costs of \$1.9 million.

Conclusion

The decision to implement a VHT involves consideration of the genuine cost consequences to implementing such a program and whether there is the potential to generate significant net revenue that could be applied to programs such as local affordable housing initiatives. Although the province has removed the requirement to seek designation prior to implementing a VHT, the decision to do so is still that of the jurisdiction with responsibility for Tax Policy.

Based on the feasibility review, the estimated number of eligible vacant properties would not generate enough revenue to cover the implementation and operating costs of administering a VHT using the mandatory declaration model unless the City is willing to wait up to 18 years and charge a VHT rate that is triple that of the normal starting rate.

Given that other communities implemented a VHT based on an estimated eligible vacant properties at 1% of the housing supply, the results of the EY study indicate that a Vacant Home Tax using the mandatory declaration model would not be viable given that estimated eligible vacant properties is 0.3% in the City of London.

Alternative strategies identified in the study, including conversion initiatives similar to an initiative recently approved for a commercial property in the City of London, appear to be a better use of resources.

Prepared by: Joseph McMillan, Division Manager, Taxation & Revenue

Submitted by: Ian Collins, Director, Financial Services

Recommended by: Anna Lisa Barbon, Deputy City Manger, Finance Supports

City of London

Vacant Residential Unit Study

Vacant Home Tax Feasibility Review Report

5 July, 2024



Building a better
working world

Disclaimer

Ernst & Young LLP (“EY”) was engaged by the City of London (“the City”) to conduct a review and analysis of London’s housing market and potential tools for reducing the number of vacant residential units in municipalities. In preparing this document (“Report”), EY relied upon unaudited data and information from the City, Statistics Canada, and other third party sources (collectively, the “Supporting Information”). EY reserves the right to revise any analyses, observations or comments referred to in this Report, if additional Supporting Information becomes available to us subsequent to the release of this Report. EY has assumed the Supporting Information to be accurate, complete and appropriate for the purposes of the Report. EY did not audit or independently verify the accuracy or completeness of the Supporting Information. Accordingly, EY expresses no opinion or other forms of assurance in respect of the Supporting Information and does not accept any responsibility for errors or omissions, or any loss or damage as a result of any persons relying on this Report for any purpose other than that for which it has been prepared.

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Context and Purpose

Context

- The City of London faces growing concerns with housing affordability. The ongoing impacts of the COVID-19 pandemic along with the increased cost of living have further exposed the urgency with which the City will need to tackle its rising housing affordability challenges.
- London's population growth, sharp increases in house prices, and Ontario's housing development targets contribute to the urgent need for affordable housing in the City.
- The objective of this engagement is to understand London's housing market dynamics and the City's options for action, including:
 - Studying and validating the number of vacant residential properties
 - Identifying potential measures to reduce the number of vacant residential properties
 - Conducting an initial feasibility review of a Vacant Home Tax (VHT) in London

Purpose of this Report

- The purpose of this report is to provide an overview of the potential feasibility of a VHT in London. This analysis was conducted based on methodologies reviewed and validated by City staff and customized to London's unique circumstances.
- This report reflects analysis completed toward the above objectives, including:
 1. Estimating the number of vacant residential units in London based on the latest available water usage data
 2. Analysis of potential revenue generated by a VHT using eligibility and tax rates observed in other jurisdictions
 3. Conducting sensitivity analysis to determine the impacts of a range of potential tax rates and behavioural responses
 4. Estimating potential implementation and ongoing operating costs related to a VHT program in London

Executive Summary

Analysis shows a VHT in London may break even at tax rates above 3%; typically, a 1% tax rate is used for initial implementation.

The number of eligible vacant homes in London may not support a VHT program.

1

Implementation and ongoing operations require incremental investment

- ▶ Initial investment to establish a VHT is estimated to total \$2.6M, largely driven by software-related implementation costs as observed in other jurisdictions.
- ▶ Ongoing operating costs are estimated to be \$1.9M annually, primarily consisting of audit-related functions to enforce and maintain compliance.

2

Estimated revenues are insufficient to recover operating costs at the most common tax rate

- ▶ When initially implemented, municipalities have typically selected a 1% tax rate for the VHT program.
- ▶ At a 1% rate, total revenue based on the number of estimated eligible vacant homes was calculated to be approximately \$800,000, resulting in a net revenue of -\$1.1M.
- ▶ A VHT in London was estimated to break even at a tax rate of 3% or higher.

Note: the figures derived through this analysis are indicative estimates and may not accurately reflect real-world results, which can be influenced by factors including (but not limited to) macroeconomic shifts, housing market dynamics, and accuracy and quality of input data.

A row of white paper houses is shown on a light gray surface. One house in the foreground is colored blue, while the others are white. The houses are arranged in a slightly receding line from left to right. A yellow trapezoidal shape is overlaid on the left side of the image, containing the text.

1. Introduction and Background

Introduction to the Vacant Home Tax

Typical definitions and exemptions for a VHT are provided below and were used to support eligibility rate estimates.

Definition

While developing the policy and by-law for the vacant homes tax, municipalities are required to define what qualifies a home to be designated as vacant. Presented below are select vacant home definitions from a scan of jurisdictions that have implemented a VHT.

Vacant Home Tax Definitions



Toronto

Unoccupied for more than 6 months within the reference period by the principal residence of the owner, any other permitted occupants or tenants



Vancouver

Unoccupied for more than 6 months of the reference period, and neither the principal residence of the registered owner, their family member or friend, nor occupied by a tenant or subtenant



Paris

Unoccupied for more than 3 months of the reference period

Exemptions

Not all homes that fall under the definition of “vacant” are eligible to be taxed, as jurisdictions exercise exemptions to vacant homes for various reasons based on policy decisions. Below is a list of exemptions used by the City of Toronto as an illustrative example.

Vacant Home Tax Exemptions (Toronto)



1

Death of a registered owner



2

Repairs or renovations



3

Principal resident is in care



4

Transfer of legal ownership



5

Occupancy for full-time employment



6

Court order



7

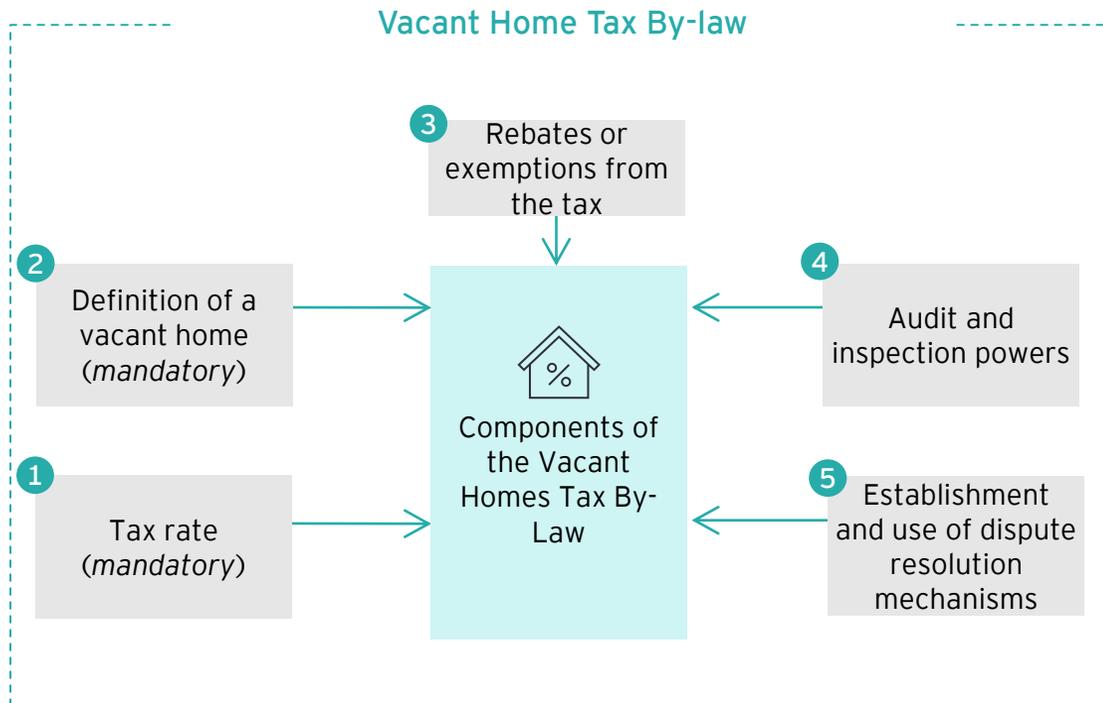
Vacant new inventory

Background

A VHT by-law typically has 5 key components supporting its purpose as a policy and revenue tool.

Vacant Homes Tax By-law

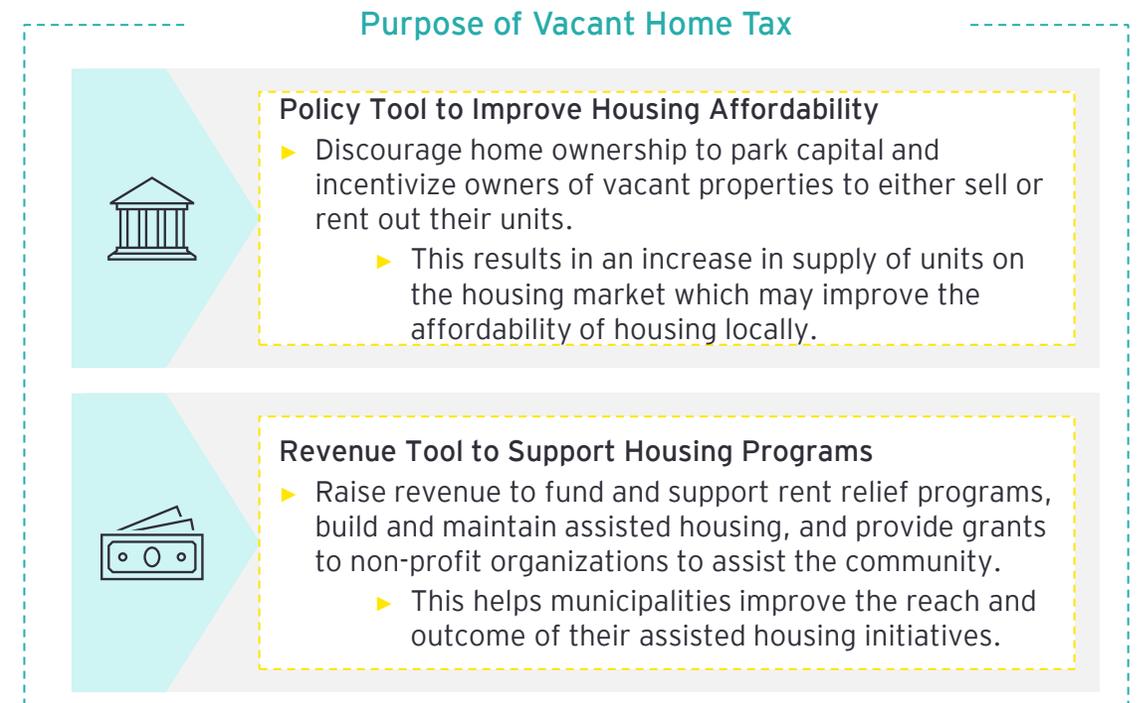
In 2017, the Government of Ontario promulgated Bill 127 (Stronger, Healthier Ontario Act), and Schedule 19 of this Act allows municipalities to implement a by-law to impose taxes on vacant residential units in certain circumstances. A typical VHT by-law includes the following elements



Note: the Ontario government is currently convening a working group with select municipalities to develop a defined VHT framework, which may differ from the above once complete.

Purpose and Objectives of Vacant Homes Tax

The VHT is commonly implemented in high-growth urban centres which face challenges related to housing such as rapidly appreciating home prices (at a rate higher than the growth in household income) or low availability of homes for sale or rent. The objectives of this tax are two-fold as illustrated below:



2. Methodology



Financial Model Overview

The financial model provides an estimation for 10-year projection for revenues and costs to calculate the VHT.

Key Parameters in the Financial Model

Revenue Model

The key parameters that were estimated for the revenue model include:

- ▶ **Vacancy rates** for each housing type
- ▶ **Housing supply**, which is the number of housing units by property type and historical growth rate
- ▶ **Current Value Assessment (CVA)** of a property for the purposes of calculating the VHT collected and historical growth rate
- ▶ **Eligibility rates**, which is the share of vacant homes that can be deemed eligible for collection under a VHT because they do not meet any prevailing exemption criteria (property under renovation, owner deceased, owner in medical care, etc.)
- ▶ **Annual behavioral response rate (ABRR)**, which is the share of vacant homes that are released to the housing supply for rent or sale owing to the VHT
- ▶ **Tax rates**, which is a range of potential VHT rates based on real-world observations from other jurisdictions and desktop research

Cost Model

The key cost categories that could be considered in the model include:

- ▶ **Implementation costs** (scoping engagement, development effort, building declaration and audit systems, etc.)
- ▶ **Operational costs** (staffing and compensation, marketing, overhead costs, etc.)

Feasibility and Sensitivity Testing

Sensitivity analysis with respect to key parameters will be conducted to:

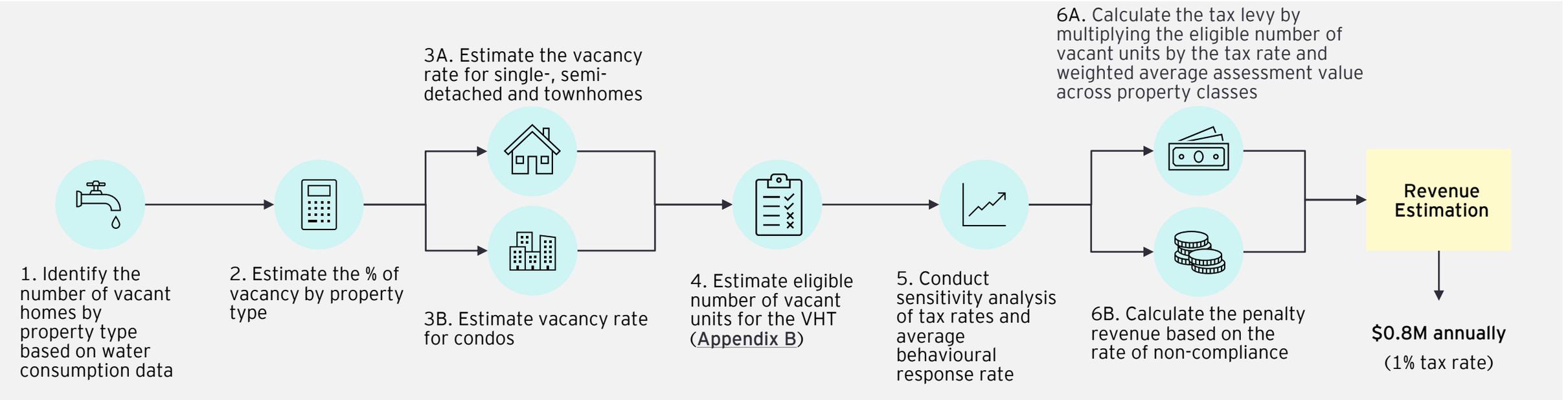
- ▶ **Estimate direct revenues** from the VHT and penalty revenues across different tax rates and behavioral response estimates
- ▶ **Understand the feasibility** of VHT by estimating breakeven point under various scenarios

Revenue Estimations

The process and inputs for estimating VHT revenues is outlined below.

Revenue Estimation Illustrated

The steps and calculations that flow through the financial model for estimating revenues for each scenario are presented below. A detailed overview of key inputs and assumptions for the model are included in [Appendix A](#).



Estimation of Eligible Vacant Residential Units				
Type of Property	# of Properties	Vacancy Rate	Eligibility Rate	Eligible Units
Single Detached	86,783	1.15%	10.6%	100
Semi Detached	5,109	1.15%	10.6%	6
Townhouse	1,062	1.15%	10.6%	1
Condos	54,325	1.35%	36.5%	267
Total	147,279	-	-	374

Estimation of Annual Revenues			
Type of Property	Average CVA	Additional Inputs	Avg. Annual Revenue
Single Detached	\$ 307,677	<ul style="list-style-type: none"> Eligible units CVA growth rates Supply growth rates Annual Behavioural Response Rate (4%) Tax rate (1%) 	\$328K
Semi Detached	\$ 180,851		\$11K
Townhouse	\$ 255,768		\$3K
Condos	\$ 157,818		\$461K
Total:			\$803K

Cost Estimations

It is estimated that implementation costs could total approximately \$2.6 million, with an annual operating cost of \$1.9 million.

Costs Estimation Illustrated

The cost estimations for implementing a VHT for London are based on a detailed review of similar programs in other jurisdictions, and corresponding by-laws. The estimations presented below reflect cost factors (housing market characteristics, demographics, etc.), including compensation estimates by role, specific to London.

Please note that the cost estimations shown are subject to change based on the City's final implementation plan, should the City move forward with the VHT.

Estimated Implementation Costs

Cost Category	Estimated Costs
Hardware and Software	\$ 0.22M
Contingency	\$ 0.41M
Technical support	\$ 0.60M
Professional Services	\$ 0.79M
Others (including business support services, public consultations, and project team)	\$ 0.51M
Total	\$ 2.6M

Estimated Operating Costs

Cost Category	Number of Positions
Compliance Analyst I	6
Compliance Analyst II	4
Supervisor, Compliance*	1
Customer Service Agent	1
Coordinator*	1
Data Analyst*	1
Manager	1
Compensation Total	\$ 1.4M
Other Costs**	\$ 0.47M
Total	\$ 1.9M

* The functions of these positions may be able to be performed by existing internal staff. However, the highly specific nature of a VHT has resulted in dedicated positions being created in municipalities implementing the tax.

** Other costs include rent, marketing, IT and support maintenance, overhead costs, and other minor expenditures.

3. Feasibility Review



Net Financial Impact

At a 1% tax rate, commonly used by municipalities when implementing a VHT, annual net revenues are estimated to be -\$1.1M.

Net Financial Impact (Annual)

Findings related to the financial feasibility of implementing a VHT in London is summarized below. The summary results show the net revenue (revenue less operating costs) for a 1% tax rate, the most common rate observed on implementation.

- Revenues** from the VHT would come from two sources:

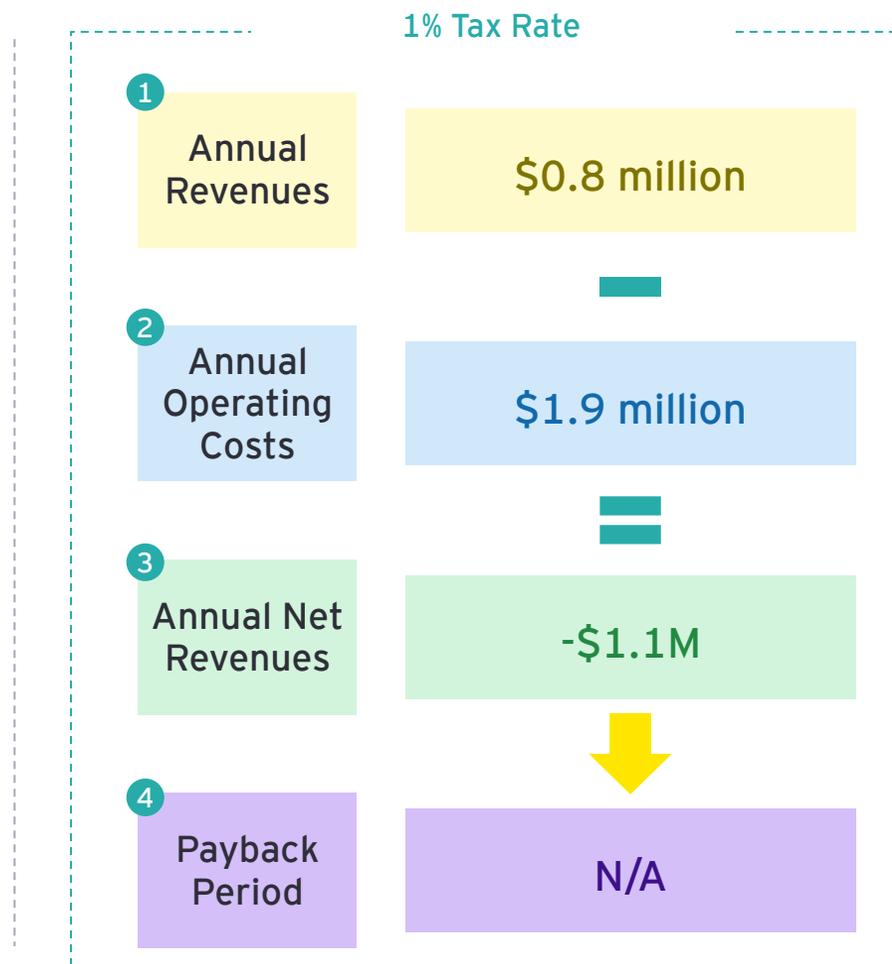
 - ▶ **Tax Levy** - Revenue earned from homeowners who declare/report their homes to be vacant
 - ▶ **Audit Revenue** - Revenue from homeowners who have been found to be non-compliant or fraudulent in their declaration/reporting and are charged a penalty

- These **costs** incurred for implementing a VHT falls under two categories:

 - ▶ **One Time Costs** - Upfront costs associated with implementing the tax (e.g. software costs to upgrade tax collection systems)
 - ▶ **Ongoing Costs** - Ongoing costs associated with operating the tax (e.g. salaries of compliance and audit staff)

- The **net financial impact** is an estimate of net revenue for the year. At the typical initial tax rate of 1%, net revenue is estimated to be negative. At rates of 3% or higher, net revenue may be positive.

- The **payback period** refers to the period of time it takes to recover the initial investment where the VHT program is viable and can sustain itself without further investment.



Source: Please see [Appendix A](#) for the inputs and corresponding sources for the financial model. Note: Please note that the estimations shown here are rounded to the nearest ten thousand.

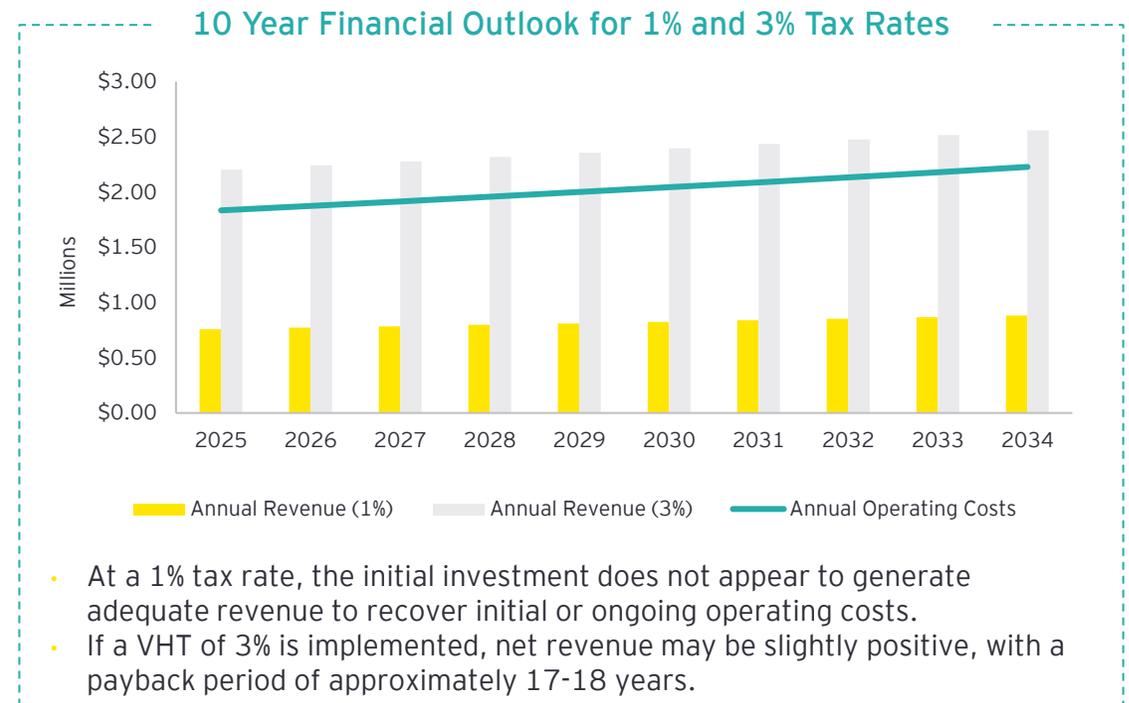
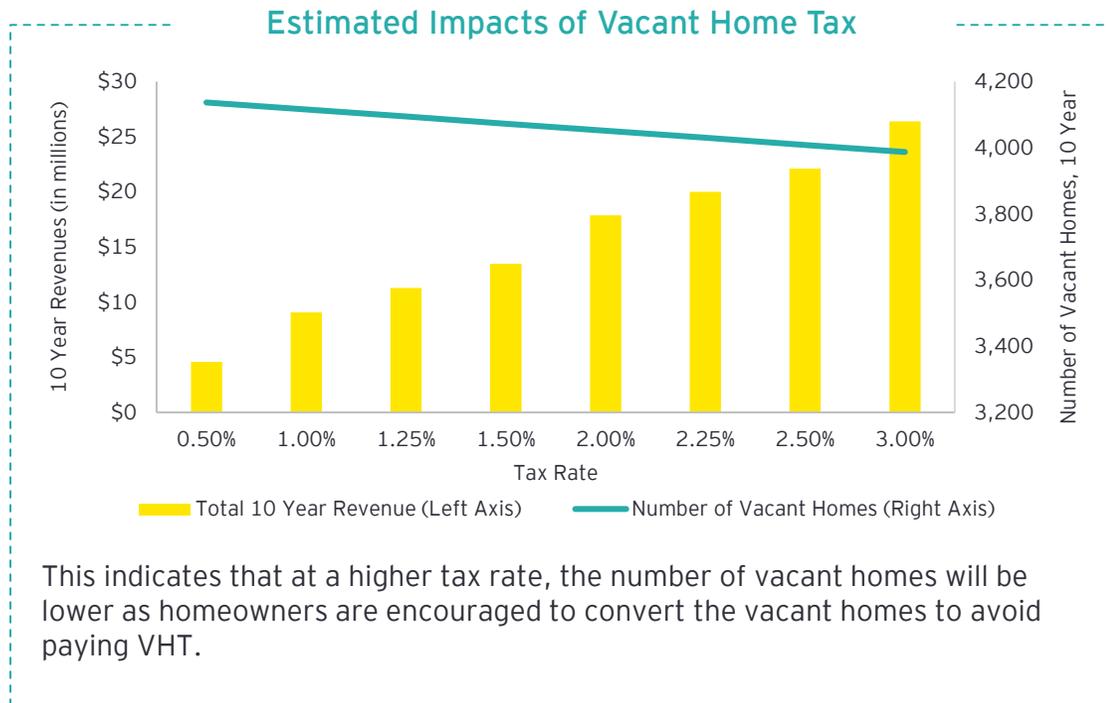
Financial Model Results

At tax rates of 3% or above, a VHT may pay back implementation costs within 17-18 years. At lower rates, the program may not generate positive net revenue.

Sensitivity of Tax Rates

By modeling various tax rates, and their associated behavioural response rate (% of vacant homes sold or converted to a rental property to avoid paying the tax), we estimated revenue projections and number of vacant homes corresponding to each tax rate over a period of 10 years. The model also assumes a one-time implementation costs of approximately \$2.6 million and the expected annual operating costs are shown below.

Findings for two scenarios of tax rates 1% and 2% are illustrated below:



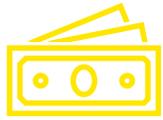
Source: Please see [Appendix A](#) for the inputs and corresponding sources for the financial model.

Looking Ahead

Though net revenues do not appear to be positive at a typical 1% tax rate, London may conduct further review to refine and validate estimates.

Conclusion and Next Steps

Given the inputs and assumptions ([Appendix A](#)) used in the current model, the results from the financial model indicate that a potential VHT could breakeven in 17-18 years based on a 3% tax rate. At tax rates lower than 3%, the VHT may not be feasible based on expected net revenues. However, to support decision-making on VHT implementation, the following steps could be undertaken by the City to refine and validate estimates.



In-depth assessment of implementation costs by conducting a review of the functionality of the existing payment collection systems, and determining level of effort required to implement upgrades to collect a VHT



Assessment of the key processes that need to be re-engineered, and new processes that are to be deployed to facilitate the implementation of the vacant homes tax



Deployment of public communications and consultation tools to elicit feedback from the public to gauge support for the tax, and obtain inputs to help design the tax



Engage with Ontario to identify the provincial VHT framework and assess potential implementation considerations.

4. Appendix



Appendix A: Data Inputs for Key Parameters for Revenue Model

The table below outlines data inputs and considerations for the revenue model.

Parameter	Inputs	Assumptions	Sources	Estimated Inputs														
Vacancy Rate	<p><i>Semi- and single-detached:</i> Number of vacant units: 1,060 Vacancy rate: 1.15% Please see Table 1 for the vacancy rates for each property type.</p>	<p>i. The vacancy rate of 1.15% for single- and semi-detached properties will be applied to townhouses. ii. The vacancy rate for condos is assumed to be 1.35%, which is determined based on the ratio between the vacancy rate of condos and single-family houses in Vancouver.</p>	<ul style="list-style-type: none"> Water Consumption Data 2023, City of London Municipal Property Assessment Corporation 2023 Municipal Change Profile, City of London City of Vancouver, Empty Homes Tax Annual Report Vancouver 2023 	<table border="1"> <thead> <tr> <th colspan="2">Table 1: Vacancy Rate by Property Type</th> </tr> <tr> <th>Type of Property (Property Code*)</th> <th>Vacancy Rate</th> </tr> </thead> <tbody> <tr> <td>Single Detached (301, 313)</td> <td>1.15%</td> </tr> <tr> <td>Semi Detached (311, 322)</td> <td>1.15%</td> </tr> <tr> <td>Townhouse (309)</td> <td>1.15%</td> </tr> <tr> <td>Condos (370)</td> <td>1.35%</td> </tr> </tbody> </table>	Table 1: Vacancy Rate by Property Type		Type of Property (Property Code*)	Vacancy Rate	Single Detached (301, 313)	1.15%	Semi Detached (311, 322)	1.15%	Townhouse (309)	1.15%	Condos (370)	1.35%		
Table 1: Vacancy Rate by Property Type																		
Type of Property (Property Code*)	Vacancy Rate																	
Single Detached (301, 313)	1.15%																	
Semi Detached (311, 322)	1.15%																	
Townhouse (309)	1.15%																	
Condos (370)	1.35%																	
Housing Supply	<p>2022-23: 147,279 Please see Table 2 for the breakdown by property type.</p>	<p>The number of housing units by property type is calculated based on the property codes defined in Table 1.</p>	<ul style="list-style-type: none"> Municipal Property Assessment Corporation 2023 Municipal Change Profile, City of London 	<table border="1"> <thead> <tr> <th colspan="2">Table 2: Housing Supply by Property Type</th> </tr> <tr> <th>Type of Property</th> <th>2022-23</th> </tr> </thead> <tbody> <tr> <td>Single Detached</td> <td>86,783</td> </tr> <tr> <td>Semi Detached</td> <td>5,109</td> </tr> <tr> <td>Townhouse</td> <td>1,062</td> </tr> <tr> <td>Condos</td> <td>54,325</td> </tr> <tr> <td>Total</td> <td>147,279</td> </tr> </tbody> </table>	Table 2: Housing Supply by Property Type		Type of Property	2022-23	Single Detached	86,783	Semi Detached	5,109	Townhouse	1,062	Condos	54,325	Total	147,279
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Type of Property	2022-23																	
Single Detached	86,783																	
Semi Detached	5,109																	
Townhouse	1,062																	
Condos	54,325																	
Total	147,279																	
Housing Supply Growth Rate	<p>Please see Table 3 for breakdown by property type.</p>	<p>The housing supply annual growth rate for townhouses calculated based on the MPAC 2023 report is negative. Therefore, the average of the annual growth rate for single- and semi-detached properties is preliminarily applied to townhouses.</p>	<ul style="list-style-type: none"> Municipal Property Assessment Corporation 2023 Municipal Change Profile, City of London 	<table border="1"> <thead> <tr> <th colspan="2">Table 3: Housing Supply Growth Rate (Annual Growth)</th> </tr> <tr> <th>Type of Property</th> <th>2022-23</th> </tr> </thead> <tbody> <tr> <td>Single Detached</td> <td>0.62%</td> </tr> <tr> <td>Semi Detached</td> <td>0.14%</td> </tr> <tr> <td>Townhouse</td> <td>0.38%</td> </tr> <tr> <td>Condos</td> <td>0.69%</td> </tr> </tbody> </table>	Table 3: Housing Supply Growth Rate (Annual Growth)		Type of Property	2022-23	Single Detached	0.62%	Semi Detached	0.14%	Townhouse	0.38%	Condos	0.69%		
Table 3: Housing Supply Growth Rate (Annual Growth)																		
Type of Property	2022-23																	
Single Detached	0.62%																	
Semi Detached	0.14%																	
Townhouse	0.38%																	
Condos	0.69%																	

Inputs for the Model

* The same property codes are applicable to all parameters hereafter.

Appendix A: Data Inputs for Key Parameters for Revenue Model (cont.)

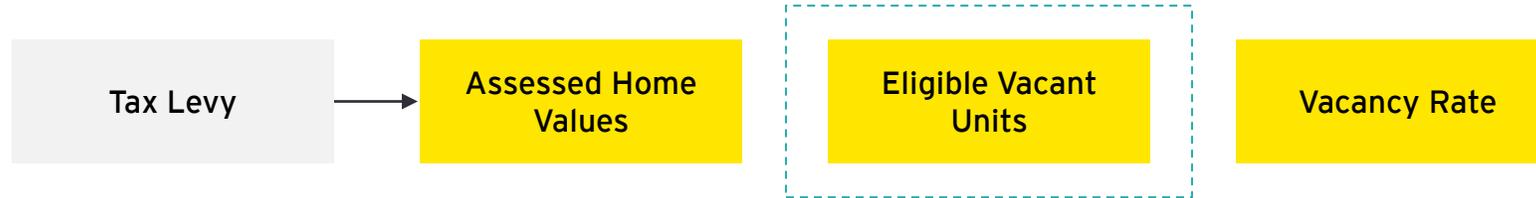
The table below outlines data inputs and considerations for the revenue model.

Parameter	Inputs	Assumptions	Sources	Estimated Inputs																					
Average Current Value Assessment	2016 CVA: \$ 224,884 2016 CVA Estimate: \$ 225,529 Please see Table 4 for breakdown by property type.	Average assessment values for each property type are estimated based on London's estimated growth by property type.	<ul style="list-style-type: none"> Municipal Property Assessment Corporation 2023 Municipal Change Profile, City of London 	<table border="1"> <thead> <tr> <th colspan="3">Table 4: Average Current Value Assessment</th> </tr> <tr> <th>Type of Property</th> <th>2016 CVA</th> <th>2016 CVA Estimate</th> </tr> </thead> <tbody> <tr> <td>Single Detached</td> <td>\$ 305,758</td> <td>\$ 307,677</td> </tr> <tr> <td>Semi Detached</td> <td>\$ 179,930</td> <td>\$ 180,851</td> </tr> <tr> <td>Townhouse</td> <td>\$ 256,783</td> <td>\$ 255,768</td> </tr> <tr> <td>Condos</td> <td>\$ 157,065</td> <td>\$ 157,818</td> </tr> <tr> <td>Average</td> <td>\$ 224,884</td> <td>\$ 225,529</td> </tr> </tbody> </table>	Table 4: Average Current Value Assessment			Type of Property	2016 CVA	2016 CVA Estimate	Single Detached	\$ 305,758	\$ 307,677	Semi Detached	\$ 179,930	\$ 180,851	Townhouse	\$ 256,783	\$ 255,768	Condos	\$ 157,065	\$ 157,818	Average	\$ 224,884	\$ 225,529
				Table 4: Average Current Value Assessment																					
Type of Property	2016 CVA	2016 CVA Estimate																							
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Townhouse	\$ 256,783	\$ 255,768																							
Condos	\$ 157,065	\$ 157,818																							
Average	\$ 224,884	\$ 225,529																							
Assessment Value Growth Rate	Based on the 2016 CVA and 2016 CVA estimate, the assessment value growth rates are presented in Table 5 .	<p>The assessment value growth rate for townhouses calculated based on the MPAC 2023 report is negative.</p> <p>Therefore, the average of the growth rate for single- and semi-detached properties is preliminarily applied to townhouses.</p>	<ul style="list-style-type: none"> Municipal Property Assessment Corporation 2023 Municipal Change Profile, City of London 	<table border="1"> <thead> <tr> <th colspan="2">Table 5: Assessment Value Growth Rate</th> </tr> <tr> <th>Type of Property</th> <th>Assessment Value Growth Rate</th> </tr> </thead> <tbody> <tr> <td>Single Detached</td> <td>0.8%</td> </tr> <tr> <td>Semi Detached</td> <td>0.7%</td> </tr> <tr> <td>Townhouse</td> <td>0.7%</td> </tr> <tr> <td>Condos</td> <td>1.2%</td> </tr> </tbody> </table>	Table 5: Assessment Value Growth Rate		Type of Property	Assessment Value Growth Rate	Single Detached	0.8%	Semi Detached	0.7%	Townhouse	0.7%	Condos	1.2%									
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Type of Property	Assessment Value Growth Rate																								
Single Detached	0.8%																								
Semi Detached	0.7%																								
Townhouse	0.7%																								
Condos	1.2%																								
Eligible Vacant Units	Please see Table 6 for the share of vacant homes that can be deemed eligible for collection under a VHT.	The share of eligible vacant units for condos and other property types are estimated based on the eligibility estimates in Vancouver.	<ul style="list-style-type: none"> City of Vancouver, Empty Homes Tax Annual Report Vancouver 2023 	<table border="1"> <thead> <tr> <th colspan="2">Table 6: Share of Eligible Units, Condos vs Other Property Types</th> </tr> <tr> <th>Type</th> <th>Eligibility Rate</th> </tr> </thead> <tbody> <tr> <td>Condos</td> <td>36.5%</td> </tr> <tr> <td>Non-Condos</td> <td>10.6%</td> </tr> </tbody> </table>	Table 6: Share of Eligible Units, Condos vs Other Property Types		Type	Eligibility Rate	Condos	36.5%	Non-Condos	10.6%													
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Condos	36.5%																								
Non-Condos	10.6%																								
Penalty Revenue	Penalty Revenue = 2.69% of Revenues from Tax Levy Please see Table 7 for the calculation.	The ratio of revenues from penalties and tax levy in Vancouver will be used in the model as a proxy to estimate potential rate of non-compliance and penalties that could be expected in London.	<ul style="list-style-type: none"> City of Vancouver, Empty Homes Tax Annual Report Vancouver 2023 	<table border="1"> <thead> <tr> <th colspan="2">Table 7: Rate of Non-Compliance, Vancouver</th> </tr> <tr> <th>Type</th> <th>2022 (in millions)</th> </tr> </thead> <tbody> <tr> <td>Vancouver Revenue from Tax Levy</td> <td>\$ 67.0</td> </tr> <tr> <td>Vancouver Revenue from Penalties</td> <td>\$ 1.8</td> </tr> <tr> <td>Rate of Non-Compliance</td> <td>2.69%</td> </tr> </tbody> </table>	Table 7: Rate of Non-Compliance, Vancouver		Type	2022 (in millions)	Vancouver Revenue from Tax Levy	\$ 67.0	Vancouver Revenue from Penalties	\$ 1.8	Rate of Non-Compliance	2.69%											
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Inputs for the Model

Appendix B: Eligible Vacant Units: An Overview

The number of eligible vacant units is a key parameter in the financial model to calculate the VHT revenue from tax levy.



Based on relevant inputs and assumptions, EY has estimated the number of current and expected eligible vacant units in the City of London over a 10-year timeframe. **Table 8** below presents the number of eligible units for each property type for 2023, 2028 (Year 5) and 2034 (Year 10).

Table 8: Number of Eligible Units by Property Type				
Type of Property	2023	2028F	2034F	Share of Housing Supply
Single Detached	100	104	108	0.1%
Semi Detached	6	6	6	0.1%
Townhouse	1	1	1	0.1%
Condos	267	276	290	0.5%
Total	374	387	405	0.3%

Sources: Water Consumption Data 2023, City of London; Municipal Property Assessment Corporation 2023 Municipal Change Profile, City of London; City of Vancouver, Empty Homes Tax Annual Report Vancouver 2023; and EY analysis.

Appendix B: Eligible Vacant Units: Calculations

Below is a step-by-step explanation of the calculations that are used to derive the final count of eligible units in London.

Step 1: Housing Supply

The housing supply is calculated by extrapolating the 2023 housing supply from the Municipal Property Assessment Corporation 2023 based on the housing supply growth rate from the same, for each property type (Table 2 and 3, page 18). The growth rate is assumed to be constant for every year in the projection timeframe.

$$\text{Housing Supply in Year X} = \text{Housing Supply of Year (X-1)} * (1 + \text{Housing Supply Growth Rate})$$

Step 2: Vacant Units

The number of vacant units is calculated based on the vacancy rates shown in Table 1 (page 18). Similar to above, the vacancy rate is assumed to be constant for each year.

$$\text{Number of Vacant Homes} = \text{Vacancy Rate} * \text{Housing Supply}$$

Step 3: Eligible Vacant Units

The share of eligible vacant units for condos and other property types are estimated based on the eligibility rates in Vancouver (Table 6, page 19). Eligible vacant units are those which are vacant, but not deemed exempt* from the vacant home tax. The eligibility rate for each type of property is applied on the number of vacant units calculated in Step 2 to get the final number of eligible vacant units (Table 9).

$$\text{Eligible Vacant Units} = \text{Number of Vacant Homes} * \text{Eligibility Rate}$$

Type of Property	2023	2028F	2034F	Share of Housing Supply
Single Detached	100	104	108	0.1%
Semi Detached	6	6	6	0.1%
Townhouse	1	1	1	0.1%
Condos	267	276	290	0.5%
Total	374	387	405	0.3%

Sources: Water Consumption Data 2023, City of London; Municipal Property Assessment Corporation 2023 Municipal Change Profile, City of London; City of Vancouver, Empty Homes Tax Annual Report Vancouver 2023; and EY analysis.

* A property may be exempt from the vacant home tax due to several reasons such as death of a registered owner, repairs or renovations, etc.

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Tara Pollitt
Deputy City Manager, Legal Services

Subject: Transfer of Part III and Part IX Prosecutions from the Province of Ontario, Ministry of the Attorney General to The Corporation of the City of London

Date: July 17, 2024

Recommendation

That on the recommendation of the Deputy City Manager, Legal Services, the following actions be taken with respect to the transfer of Part III and Part IX prosecutions from the Province of Ontario, Ministry of the Attorney General:

- a) the proposed by-law, attached to the staff report dated July 17, 2024 as Appendix "A" **BE INTRODUCED** at the Municipal Council meeting to be held on July 23, 2024, to:
 - i) approve the Interim Transfer Agreement between His Majesty the King in Right of Ontario as Represented by the Attorney General and the Corporation of the City of London related to the transfer of responsibility for certain prosecutions under Parts III and IX of the *Provincial Offences Act* ("Agreement") attached as Schedule "A";
 - ii) delegate authority to the Deputy City Manager, Legal Services to approve any future amending agreements related to the Agreement; and
 - iii) authorize the Mayor and City Clerk to execute all agreements between the City and the Province, and any other documents as may be required from time to time related to the transfer of certain prosecutions commenced under Parts III and IX of the *Provincial Offences Act* from the Ministry of the Attorney General to the City of London, each in a form satisfactory to the Deputy City Manager, Legal Services.
- b) the Civic Administration **BE AUTHORIZED** to undertake all administrative acts that are necessary in connection with this matter; and
- c) this report **BE RECEIVED** for the consideration of Council.

Executive Summary

The purpose of this report is to seek Council approval of the transfer of the Part III and Part IX charges from Province to the City.

The City is currently responsible for the administration of the local *Provincial Offences Court* and the prosecution of charges laid under Parts I and II of the *Provincial Offences Act* ("POA"). In 2017, the POA was amended to permit the Province to transfer responsibility of charges under Parts III and IX of the *Act* to municipalities.

The Ministry of the Attorney General has provided a draft Interim Transfer Agreement to the City, which has been reviewed and approved by Legal Services. Negotiations with the Province have been ongoing and Civic Administration are prepared to finalize the transfer, subject to Council approval.

Linkage to the Corporate Strategic Plan

The following report supports the Strategic Plan through the strategic focus of a well-run City. The transfer of will improve the efficiency of the Provincial Offences Court and enhance customer services for the public.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

None.

1.2 Background

In 1997, the *Provincial Offences Act* was amended by the *Streamlining of Administration of Provincial Offences Act, 1997* (Bill 108) to permit the Attorney General and municipalities to enter into agreements authorizing the municipalities to conduct court administration and court support functions under the POA and conduct prosecutions of matters commenced under Parts I and II of the POA. Part I offences are simple offences for which a set fine ticket may be issued and typically involved *Highway Traffic Act* offences. Part II offences are parking related offences. In 2001, the City of London entered into a Memorandum of Understanding and a Local Side Agreement with the Province under which the City became responsible for all Part I and II prosecutions. The City also prosecutes certain Part III charges under municipal by-laws and some provincial statutes such as the *Building Code Act* and the *Fire Protection and Prevention Act*.

In 2017, the Province passed Bill 177, the *Stronger, Fairer Ontario Act* which enabled the Attorney General to enter into agreements with municipalities to transfer responsibility for certain prosecutions under Part III and Part IX of the POA. Part III offences are more serious charges such as driving under suspension or careless driving causing bodily harm or death; Part IX matters include hearings under the *Dog Owners' Liability Act*. While the roll out across the province has been gradual, all municipalities are expected to undertake the Part III transfers. It is considered beneficial to cooperate with the transfer and negotiate timing based on local concerns rather than wait until the transfer is potentially mandated by the Province.

2.0 Discussion and Considerations

2.1 Benefits Arising from the Transfer

There may be benefits to the City arising from the transfer of Parts III and IX prosecutions, including:

- Enhanced delivery of court services to the community as Parts I and III matters can be scheduled in the same courtroom, on the same docket and prosecuted by the same prosecutor;
- A more streamlined process for defendants, agents, lawyers and witnesses by having only one prosecution office rather than two (currently there is one office for Provincial prosecutions and one office for municipal prosecutors);
- A simplified disclosure process, where police only have to deal with one office;
- Blended court schedules mean police court dates can be reduced;
- Improved use of judicial and court resources;
- The City will no longer have to pay for a prosecutor for Parts III and IX matters (the current cost is \$109/hr, but this rate has not been updated since 2004 and MAG is in the process of reassessing it).

2.2 Concerns Regarding the Transfer

One area of concern is the existing file load and backlog. The Crown's office has expressed a commitment to attempt to reduce the file load to current matters and is taking steps to ensure files are organized. The agreement contemplates a 60-day rollout during which the transfer is to take place to allow for a smooth transition. The Crown is also committed to cleaning up old outstanding matters such as bench warrants.

The Crown retains carriage of certain Part III matters including charges against Young Persons, matters where criminal proceedings have been commenced out of the same circumstances, and proceedings under Christopher's Law (involving minors). The Crown may elect to retain carriage of catastrophic injuries and fatalities.

Disclosure for Part III files is typically more voluminous and required for every Part III file, not just when a trial is requested as in the case of Part I and II files. The need for additional administrative support was recognized during the multi-year budget process and an additional paralegal was hired. The City currently has three prosecutors handling the Parts I and II offences. It may be necessary to hire an additional prosecutor if existing staff are not able to handle the increased volume of cases.

3.0 Financial Impact/Considerations

No significant financial benefit is expected from the transfer; however, it is anticipated that service delivery will improve. The revenue from fines associated with Part III matters is already included in revenue received by POA Court Services so there is no additional revenue associated with this transfer. At this time there are no additional costs associated with the transfer.

The City is currently billed \$109/hr for Part III provincial prosecution services, with an annual expense of approximately \$45,000. The transfer will eliminate the existing budget expense for this hourly fee.

As noted above, disclosure requirements are more voluminous for Part III files. In anticipation of the transfer, budget case L-3 was included in the multi-year budget in order to hire a paralegal to assist with administrative tasks related to Parts III and IX prosecutions. It is anticipated that existing City prosecutors will conduct the prosecutions; however, depending on the volume of cases, it may be necessary to submit a budget case for additional prosecutor in the future.

Conclusion

The transfer from the Province has potential benefits arising from a more efficient use of court resources. It is considered beneficial to cooperate with the Province to ensure there are reasonable timelines for the City, rather than waiting until the Province potentially mandates the transfer.

Staff are therefore recommending that the by-law approving the Interim Agreement, attached at **Appendix "A"** to this report, be approved.

Prepared by and

Recommended By:

Tara Pollitt

Deputy City Manager, Legal Services

APPENDIX A

Bill No.
2024

By-law No. A-

A by-law to authorize and approve the Interim Transfer Agreement between His Majesty the King in Right of Ontario as Represented by the Attorney General and the Corporation of the City of London related to the transfer of responsibility for certain prosecutions under Parts III and IX of the Provincial Offences Act and to delegate the authority to the Deputy City Manager, Legal Services to approve any future amending agreements related to the Agreement.

WHEREAS subsection 5(3) of the *Municipal Act*, 2001, S.O. 2001, c. 25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the *Municipal Act*, 2001 provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS the City of London entered into a Memorandum of Understanding and a Local Side Agreement with the Province under which the City became responsible for all Part I and II prosecutions;

AND WHEREAS the Municipal Council deems it appropriate to enter into an agreement between His Majesty the King in Right of Ontario as Represented by the Attorney General and the Corporation of the City of London related to the transfer of responsibility for certain prosecutions under Parts III and IX of the Provincial Offences Act;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The Interim Transfer Agreement between His Majesty the King in Right of Ontario as Represented by the Attorney General and the Corporation of the City of London related to the transfer of responsibility for certain prosecutions under Parts III and IX of the Provincial Offences Act (“the Agreement”), substantially in the form attached as Schedule 1 to this bylaw, is hereby authorized and approved;
2. The Mayor and City Clerk are authorized to execute the Agreement approved under section 1 of this bylaw;
3. The Deputy City Manager, Legal Services is hereby authorized to approve any future amending agreements related to the Agreement;
4. The Mayor and Clerk are authorized to execute any schedules or amending agreements to the Agreement approved by the Deputy City Manager, Legal Services, pursuant to their authority under section 3 of this bylaw;
5. Civic Administration is delegated the authority to undertake all administrative actions required in connection with the Agreement, any future amending agreements or schedules.

6. This by-law comes into force and effect on July 23, 2024 subject to the provisions of PART VI.1 of the *Municipal Act, 2001*.

PASSED in Open Council on July 23, 2024 subject to the provisions of PART VI.1 of the *Municipal Act, 2001*.

Josh Morgan
Mayor

Michael Schulthess
City Clerk

First Reading – July 23, 2024
Second Reading – July 23, 2024
Third Reading – July 23, 2024

**PARTS III AND IX OF PROVINCIAL OFFENCES ACT
(ONTARIO)**

INTERIM TRANSFER AGREEMENT

- between -

**HIS MAJESTY THE KING IN RIGHT OF ONTARIO
as represented by the Attorney General**

- and -

CORPORATION OF THE CITY OF LONDON

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**PARTS III AND IX OF PROVINCIAL OFFENCES ACT (ONTARIO) INTERIM
TRANSFER AGREEMENT**

**THIS PARTS III AND IX OF PROVINCIAL OFFENCES ACT (ONTARIO) INTERIM
TRANSFER AGREEMENT (“Agreement”)** is made on the _____ day of _____,
20__,

BETWEEN:

**HIS MAJESTY THE KING IN RIGHT OF ONTARIO
AS REPRESENTED BY THE ATTORNEY GENERAL**

(the “**Attorney General**”)

-and-

CORPORATION OF THE CITY OF LONDON

(the “**Municipal Partner**”)

WHEREAS, pursuant to the *Streamlining of Administration of Provincial Offences Act*, 1997, S.O. 1998, c.4, (Bill 108), the Attorney General and the Municipalities, as defined below, may enter into an agreement authorizing such municipalities, in general, to conduct court administration and court support functions under the POA, as defined below, and prosecutions of matters commenced under Parts I and II of the POA;

AND WHEREAS, the Attorney General and the Municipalities entered into memorandum of understandings and local side agreements whereby the Attorney General transferred to such municipalities, in general, court administration and court support functions under the POA and prosecutions of matters commenced under Parts I and II of the POA;

AND WHEREAS, such transfer was documented between the Attorney General and the Municipal Partner in the MOU, as defined below, and the LSA, as defined below;

AND WHEREAS, pursuant to the *Stronger, Fair Ontario Act (Budget Measures)*, 2017, S.O. c.34, Sched. 35, s.12, the Attorney General and the Municipalities may enter into an agreement authorizing such municipalities, in general, to conduct prosecutions commenced under the POA;

AND WHEREAS, the Attorney General, as part of its transfer project, intends to request amendments to the memorandum of understandings and the local side agreements in accordance with such documents from the Municipalities in order to

transfer certain prosecutions commenced under Parts III and IX of the POA prosecuted by the Criminal Law Division of the Ministry of the Attorney General to such municipalities;

AND WHEREAS, the Attorney General, as part of an interim transfer project, would like to transfer the prosecutions commenced under Parts III and IX of the POA prosecuted by the Criminal Law Division of the Ministry of the Attorney General to the Municipal Partner and the Municipal Partner, as a participant in such project, wishes to accept such transfer;

NOW THEREFORE, in consideration of the mutual covenants and obligations contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged by the parties, the Attorney General and the Municipal Partner covenant and agree as follows:

ARTICLE I – INTERPRETATION

1.1 Definitions. The following terms shall have the meanings ascribed to them below unless there is something in the context inconsistent therewith:

- (a) **“Agreement”** means this agreement, including all of the schedules, attached hereto, and all amendments made hereto in accordance with the provisions hereof as the same may be amended, restated and/or supplemented from time to time;
- (b) **“Attorney General”** means His Majesty the King in right of Ontario as represented by the Attorney General;
- (c) **“Crown”** means His Majesty the King in right of Ontario;
- (d) **“Crown Prosecution Manual”** means the document located at www.ontario.ca/document/crown-prosecution-manual, as amended from time to time;
- (e) **“Effective Date”** means **[insert]**;
- (f) **“Expiry Date”** means two (2) years from the Effective Date;
- (g) **“Indemnified Parties”** means each of the following and their directors, officers, advisors, agents, appointees and employees: the Crown and the members of the Executive Council of Ontario;
- (h) **“Losses”** means liabilities, costs, damages, and expenses (including legal, expert, and consulting fees);
- (i) **“LSA”** means a local side agreement between the Attorney General and the Municipal Partner with an effective date of March 18, 2001;
- (j) **“MOU”** means a memorandum of understanding between the Attorney General and the Municipal Partner dated on the execution date by the Attorney General of March 18, 2001;

- (k) “**Municipalities**” means, collectively, all of the municipalities of the Province of Ontario who have entered into a memorandum of understanding and a local side agreement for purposes of the transfer of, in general, court administration and court support functions under the POA and prosecutions of matters commenced under Parts I and II of the POA;
 - (l) “**Municipal Partner**” means Corporation of the City of London;
 - (m) “**POA**” means the *Provincial Offences Act* (Ontario);
 - (n) “**Proceedings**” mean any action, claim, demand, lawsuit, or other proceeding;
 - (o) “**Term**” means the period commencing on the Effective Date and ending on Expiry Date unless the Term is extended or otherwise terminated pursuant to this Agreement;
 - (p) “**Transfer Agreement**” means, collectively, the MOU and the LSA;
 - (q) “**Transferred Property**” means any and all property relating to the Transferred Prosecutions including, but not limited to, systems, records, data, information, and materials in the possession or control of, or owned by, the Municipal Partner unless such property has been purchased by the Municipal Partner and has not been agreed to be transferred to the Attorney General;
 - (r) “**Transferred Prosecutions**” has the meaning ascribed to it in Section 2.2(a) hereof; and
 - (s) “**WSIA**” means the *Workplace Safety and Insurance Act, 1997* (Ontario).
- 1.2 Currency.** Any reference to currency is to Canadian currency and any amount disbursed, paid, or calculated is to be disbursed, paid or calculated in Canadian currency.
- 1.3 Statute and Regulation.** Any reference to a statute is to such statute and to the regulations made pursuant to such statute as such statute and regulations may at any time be amended or modified and in effect and to any statute or regulations that may be passed that have the effect of supplementing or superseding such statute or regulations.
- 1.4 Singular/Plural and Gender Terms.** Each definition in this Agreement using a singular capitalized term or other word or phrase also shall apply to the plural form and such term, word or phrase and vice versa, and all references to the masculine gender shall include reference to the feminine or neuter gender, and vice versa, in each case as the context may permit or require.
- 1.5 Pronouns.** Each use in this Agreement of neuter pronoun shall be deemed to include the masculine and feminine variations thereof and vice versa and a singular pronoun shall be deemed to include a reference to the plural variation thereof, and vice versa, in each case and the context may permit or require.

- 1.6 **Sections and Other Headings**. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.
- 1.7 **Paramountcy**. The parties hereto agree that this Agreement shall be read, to the extent possible, as an addition to and not to derogate from the Transfer Agreement and shall only supersede the specific terms and conditions of the Transfer Agreement to the extent of a conflict or an inconsistency in the circumstances. All other terms and conditions of the Transfer Agreement shall remain in full force and effect, unaffected and unaltered by this Agreement.

ARTICLE II –INTERIM TRANSFER OF PARTS III AND IX OF THE POA

- 2.1 **General**. The parties hereto acknowledge and agree that this Agreement shall only apply to the prosecutions prosecuted by the Criminal Law Division of the Ministry of the Attorney General under Parts III and IX of the POA.
- 2.2 **Parts III and IX of the POA Interim Transfer**. On the Effective Date, the Attorney General shall:
- (a) transfer to the Municipal Partner and the Municipal Partner shall accept the following:
 - (i) the prosecutions of matters designated as contraventions under the *Contraventions Act* (Canada) and commenced under Parts III and IX of the POA;
 - (ii) prosecution of proceedings commenced under Parts III and IX of the POA;
 - (iii) the conduct of appeals of proceedings commenced under Parts III and IX of the POA where the Attorney General transferred the prosecution of the proceeding to the Municipal Partner,but such transfer excludes the following:
 - (iv) the prosecution of matters under Parts III and IX of the POA as against a Young Person, as defined under Part VI of the POA;
 - (v) any matter under Parts III and IX of the POA where criminal proceedings have also been commenced arising out of the same circumstances;
 - (vi) any proceeding under *Christopher's Law (Sex Offender Registry), 2000* (Ontario);
 - (vii) any proceeding stated in the Crown Prosecution Manual, as amended from time to time, being retained by the Attorney General;
 - (viii) any and all:

- (A) applications for leave to the Court of Appeal; and
 - (B) appeals to the Court of Appeal,
- for matters with respect to Parts III and IX of the POA, which have been prosecuted by the Attorney General at trial;
- (ix) any and all appeals to the Ontario Court of Justice where:
 - (A) the appeal hearing is scheduled to begin within sixty (60) days after the Effective Date;
 - (B) the appeal hearing began before the Effective Date; or
 - (C) the Attorney General is an appellant in a matter in which it has prosecuted such matter at trial,
 for matters with respect to Parts III and IX of the POA; and
 - (x) any and all Part IX of the POA proceedings where:
 - (A) the hearing is scheduled to begin within sixty (60) days after the Effective Date; or
 - (B) the hearing began before the Effective Date; but the order or disposition is not complete,

(collectively, the “**Transferred Prosecutions**”); and

- (b) deliver to the Municipal Partner:
 - (i) a list of the Transferred Prosecutions;
 - (ii) the original records and files of the Transferred Prosecutions; and
 - (iii) a list of all open files that will be retained by the Attorney General.

2.3 Right to Intervene. Notwithstanding anything else in this Agreement, the Attorney General maintains the right to intervene in any of the Transferred Prosecutions and shall be responsible for any and all costs from such intervention.

ARTICLE III – COSTS

3.1 Costs. The Municipal Partner shall not remit to the Minister of Finance any amount owing pursuant to Section 165(5)(c) of the POA for costs incurred by the Attorney General for matters under Sections 2.2(a)(iv) to (x) hereof; and (b) Sections 173(2)1 and 173(2)2 of the POA.

ARTICLE IV – COVENANTS

4.1 The Municipal Partner's Covenants. The Municipal Partner covenants and agrees, at all times during the Term, that it shall:

- (a) provide full and timely disclosure to defendants in accordance with the law;
- (b) make efforts to advise the family members and other interested parties of significant developments throughout the proceedings in cases that involve a fatality in accordance with the Crown Prosecution Manual;
- (c) only proceed to prosecute a charge where there is a reasonable prospect of conviction and it is in the public interest to do so in accordance with the Crown Prosecution Manual;
- (d) screen all private prosecutions for reasonable prospect of conviction and, when necessary, assume the conduct of the proceedings in order to ensure that they are pursued in the interests of the administration of justice; and
- (e) maintain a reporting protocol to notify the Crown Attorney and the Attorney General of any matter that appears likely to raise a substantive legal issue at trial or appeal, including:
 - (i) an application for judicial review or prerogative writ sought in relation to a prosecution transferred;
 - (ii) any thing that may affect the administration, constitutional validity, or enforceability of a statute or regulation;
 - (iii) any matter where there could be a substantial public interest in its outcome including, but not limited to, where leave to appeal to the Court of Appeal has been granted; and
 - (iv) the anticipated withdrawal or stay of any matter involving a death while using a vehicle, a motorized snow vehicle, or an off-road vehicle under a provincial act;
- (f) as required by the Attorney General, make reasonable efforts to provide workspace for the Attorney General;
- (g) upon request, grant access to its available courtroom technology for such time as required by the Attorney General;
- (h) once informed, adhere to any and all of the Attorney General's intervention policies with respect to the Transferred Prosecutions;
- (i) adhere to all applicable laws;
- (j) provide, at a minimum, the same services and level of service delivery as were provided by the Attorney General with respect to the Transferred Prosecutions; and
- (k) as expeditiously as possible, bring to the attention of the Attorney General any and all matters that may be significant or contentious including, but not limited

to, alleged prosecutorial impropriety, misconduct, and constitutional challenges.

4.2 The Attorney General's Covenants. The Attorney General covenants and agrees, at all times during the Term, that it shall:

- (a) as required by the Municipal Partner, make reasonable efforts to provide workspace for the Municipal Partner; and
- (b) upon request, grant access to its available courtroom technology for such time as required by the Municipal Partner.

ARTICLE V – INDEMNITY AND INSURANCE

5.1 Indemnity from the Municipal Partner. The Municipal Partner shall indemnify and hold harmless the Indemnified Parties from and against all Losses and Proceedings, by whomever made, sustained, incurred, brought or prosecuted, arising out of, or in connection with anything done or omitted to be done by the Municipal Partner or the Municipal Partner's personnel in the course of the performance of the Municipal Partner's obligations under this Agreement or otherwise in connection with this Agreement.

5.2 Municipal Partner's Insurance. The Municipal Partner hereby agrees to put in effect and maintain insurance for the Term, at its own cost and expense, with insurers having a secure A.M. Best rating of B + or greater, or the equivalent, all the necessary and appropriate insurance that a prudent person in the business of the Municipal Partner would maintain including, but not limited to, the following:

- (a) commercial general liability insurance on an occurrence basis for third party bodily injury, personal injury and property damage, to an inclusive limit of not less than Five Million Dollars (\$5,000,000) per occurrence, Five Million Dollars (\$5,000,000) products and completed operations aggregate. The policy is to include the following:
 - (i) the Indemnified Parties as additional insureds with respect to liability arising in the course of performance of the Municipal Partner's obligations under, or otherwise in connection with, this Agreement;
 - (ii) contractual liability coverage;
 - (iii) cross-liability clause;
 - (iv) employers liability coverage (or compliance with the section below entitled "Proof of WSIA Coverage" is required);

- (v) thirty (30) day written notice of cancellation, termination or material change;
 - (vi) tenants legal liability coverage (if applicable and with applicable sub-limits); and
- (b) errors & omissions liability insurance, insuring liability for errors and omissions in the performance or failure to perform the services contemplated in this Agreement, in the amount of not less than Five Million Dollars (\$5,000,000) per claim and in the annual aggregate.

5.3 Proof of Insurance. The Municipal Partner shall provide the Attorney General with certificates of insurance, or other proof as may be requested by the Attorney General, that confirms the insurance coverage as provided for in Section 5.2, hereof and renewal replacements on or before the expiry of any such insurance. Upon the request of the Attorney General, a copy of each insurance policy shall be made available to it. The Municipal Partner shall ensure that each of its subcontractors obtains all the necessary and appropriate insurance that a prudent person in the business of the subcontractor would maintain and that the Indemnified Parties are named as additional insureds with respect to any liability arising in the course of performance of the subcontractor's obligations under the subcontract for the provision of the Transferred Prosecutions.

5.4 Proof of WSIA Coverage. If the Municipal Partner is subject to the WSIA, it shall submit a valid clearance certificate of WSIA coverage to the Attorney General prior to the execution of this Agreement by the Attorney General. In addition, the Municipal Partner shall, from time to time at the request of the Attorney General, provide additional WSIA clearance certificates. The Municipal Partner covenants and agrees to pay when due, and to ensure that each of its subcontractors pays when due, all amounts required to be paid by it or its subcontractors, from time to time during the Term, under the WSIA, failing which the Attorney General shall have the right, in addition to and not in substitution for any other right it may have pursuant to this Agreement or otherwise at law or in equity, to pay to the Workplace Safety and Insurance Board any amount due pursuant to the WSIA and unpaid by the Municipal Partner or its subcontractors and to deduct such amount from any amount due and owing from time to time to the Municipal Partner pursuant to this Agreement together with all costs incurred by the Attorney General in connection therewith.

5.5 Municipal Partner Participation in Proceedings. The Municipal Partner shall, at its expense, to the extent requested by the Attorney General, participate in or conduct the defence of any Proceeding against any Indemnified Parties referred to in this Article and any negotiations for their settlement. The Attorney General may elect to participate in or conduct the defence of any such Proceeding by notifying the Municipal Partner in writing of such election without prejudice to any other rights or remedies of the Attorney General under this Agreement, Agreement, at law or in equity. Each party participating in the defence shall do so by actively participating

with the other's counsel. The Municipal Partner shall not enter into any settlement unless it has obtained the prior written approval of the Attorney General. If the Municipal Partner is requested by the Attorney General to participate in or conduct the defence of any such Proceeding, the Attorney General agrees to co-operate with and assist the Municipal Partner to the fullest extent possible in the Proceedings and any related settlement negotiations. If the Attorney General conducts the defence of any such Proceedings, the Municipal Partner agrees to co-operate with and assist the Attorney General to the fullest extent possible in the Proceedings and any related settlement negotiations.

- 5.6 Indemnity from the Attorney General.** Save and except for the indemnification by Ontario in favour of the Municipal Partner as provided for in section 15.2 of the MOU, the wording, scope, effect, and consequence of which shall apply, *mutatis mutandis*, to the provisions and obligations within this Agreement, including but not limited to, those in relation to the Transferred Prosecutions as contemplated hereunder, any express or implied reference in any other document (including subcontracts) as related to the Transferred Prosecutions as contemplated hereunder or to the Attorney General providing any other indemnity or other form of indebtedness or contingent liability that would otherwise directly or indirectly increase the indebtedness or contingent liabilities of the Crown, whether at the time of execution of this Agreement or at any time during its Term, shall be void and of no legal effect.

ARTICLE VI – TERMINATION AND EXPIRY

- 6.1 Termination for Cause.** The Attorney General may immediately terminate this Agreement upon giving notice to the Municipal Partner where there is a breach of this Agreement and such right of termination is in addition to all other rights of termination available at law, or events of termination by operation of law.
- 6.2 Dispute Resolution by Rectification Notice.** Subject to the above section, where the Municipal Partner fails to comply with any of its obligations under this Agreement, the Attorney General may issue a rectification notice to the Municipal Partner setting out the manner and timeframe for rectification. Within seven (7) business days of receipt of that notice, the Municipal Partner shall either: (a) comply with that rectification notice; or (b) provide a rectification plan satisfactory to the Attorney General. If the Municipal Partner fails to either comply with that rectification notice or provide a satisfactory rectification plan, the Attorney General may immediately terminate this Agreement. Where the Municipal Partner has been given a prior rectification notice, the same subsequent type of non-compliance by the Municipal Partner shall allow the Attorney General to immediately terminate this Agreement.
- 6.3 Termination on Notice.** The Attorney General reserves the right to terminate this Agreement, without cause, upon ninety (90) days prior notice to the Municipal Partner.

6.4 Municipal Partner's Obligations on Termination. On termination of this Agreement, the Municipal Partner shall, in addition to its other obligations under this Agreement and the applicable laws:

- (a) at the request of the Attorney General, complete the Transferred Prosecutions that are set for sixty (60) days after the termination of this Agreement;
- (b) provide access and transfer ownership, to the Attorney General, of the Transferred Property;
- (c) provide the Attorney General with a report detailing a list of the Transferred Prosecutions that are being transferred to the Attorney General;
- (d) execute such documentation as may be required by the Attorney General to give effect to the termination of this Agreement;
- (e) comply with any other instructions provided by the Attorney General, including but not limited to, instructions for facilitating the transfer of its obligations to another person;
- (f) keep the Attorney General informed of any and all matters that are necessary for the Attorney General to ensure the effective ongoing administration of justice during the termination period; and
- (g) carry out a financial accounting and shall pay to Attorney General any monies owing to the Attorney General, including the Ministry of Finance.

6.5 Termination in Addition to Other Rights. The express rights of termination in this Agreement are in addition to and shall in no way limit any rights or remedies of the Attorney General under this Agreement, at law or in equity.

6.6 Attorney General's Rights and Remedies and Municipal Partner's Obligations Not Limited to Agreement. The express rights and remedies of the Attorney General and obligations of the Municipal Partner set out in this Agreement are in addition to and shall not limit any other rights and remedies available to the Attorney General, or any other obligations of the Municipal Partner at law or in equity.

6.7 Municipal Partner's Rights on Termination. On termination of this Agreement, the Attorney General shall permit the Municipal Partner access to the Transferred Property including, the right to make and keep copies of documents; provided that, the Municipal Partner is named or otherwise becomes a party to any legal proceedings, or is placed on notice that it will be named as a party to a legal proceedings, arising from or in connection with the performance by the Municipal Partner of the Transferred Prosecutions.

6.8 Expiry of Agreement. This Agreement shall expire on the Expiry Date.

6.9 Municipal Partner's Responsibility on Expiry. On the Expiry Date, the Municipal Partner shall, in addition to its other obligations under this Agreement and the applicable laws:

- (a) at the request of the Attorney General, complete the Transferred Prosecutions that are set for sixty (60) days after the Expiry Date;
- (b) provide access and transfer ownership, to the Attorney General, of the Transferred Property;
- (c) provide the Attorney General with a report detailing a list of the Transferred Prosecutions that are being transferred to the Attorney General;
- (d) execute such documentation as may be required by the Attorney General to give effect to the expiry of this Agreement;
- (e) comply with any other instructions provided by the Attorney General, including but not limited to, instructions for facilitating the transfer of its obligations to another person;
- (f) keep the Attorney General informed of any and all matters that are necessary for the Attorney General to ensure the effective ongoing administration of justice; and
- (g) carry out a financial accounting and shall pay to Attorney General any monies owing to the Attorney General, including the Ministry of Finance.

ARTICLE VII – NOTICE

7.1 Notices. Any demand, approval, consent, notice or communication to be made or given hereunder shall be in writing and may be made or given by personal delivery, courier or mailed by first class registered mail, prepaid postage or by facsimile transmission, or other verifiable electronic means of communication addressed to the respective parties as follows:

- (a) To the Attorney General:

Ministry of Attorney General
Criminal Law Division
720 Bay St., 9th Floor
Toronto, ON M7A 2S9

Attention: Majid Juma, Director, Strategic Operations and Management
Centre (SOMC)

Telephone No.: 647-298-5776
E-mail: majid.juma@ontario.ca

- (b) To the Municipal Partner:

Corporation of the City of London
[insert address]

Attention: [insert]

Telephone No.: [insert]

E-mail: [insert]

or to such other address or facsimile number as any party may from time to time designate in accordance with this Section. Any communication made by personal delivery or by courier shall be conclusively deemed to have been given and received on the day of actual delivery thereof or if such day is not a Business Day, on the first (1st) Business Day thereafter. Any communication made or given by facsimile on a Business Day before 4:00 p.m. shall be conclusively deemed to have been given and received on such Business Day and otherwise shall be conclusively deemed to have been given and received on the first (1st) Business Day following the transmittal thereof. Any communication that is mailed shall be conclusively deemed to have been given and received on the fifth (5th) Business Day following the date of mailing but if, at the time of mailing or within five (5) Business Days thereafter, there is or occurs a labour dispute or other event that might reasonably be expected to disrupt delivery of documents by mail, any communication shall be delivered or transmitted by any other means provided for in this Section.

ARTICLE VIII – MISCELLANEOUS

- 8.1 Entire Agreement.** This Agreement, including all documents contemplated hereby, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior negotiations, undertakings, representations and understandings. No agreement purporting to amend or modify this Agreement or any document or paper relating thereto or connected herewith is valid and binding unless it is in writing and signed and accepted in writing by the Attorney General and the Municipal Partner.
- 8.2 Assignment.** The Municipal Partner may not assign this Agreement or any of the benefits or obligations hereunder to any person, without the prior written consent of the Attorney General. The Attorney General will have the right at any time to assign this Agreement and any of its rights and obligations hereunder to any person.
- 8.3 Waiver.** The failure or delay by a party in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement, and any course of action on the part of such party, shall not operate as a waiver of any rights of the party unless made in writing by such party. Any waiver by a party shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of such party with respect to any other or future non-compliance.

- 8.4 Severability.** Each provision of this Agreement is intended to be severable. If any provision hereof is illegal or invalid, such illegality or invalidity shall not affect the validity of the remainder hereof.
- 8.5 Further Assurances.** Each party will at any time and from time to time, upon the request of the other party, execute and deliver such further documents and do such further acts and things as the other party may reasonably request in order to evidence, carry out and give full effect to the terms, conditions, intent, and meaning of this Agreement.
- 8.6 Enurement.** This Agreement shall enure to the benefit of and be binding upon the parties and their successors and their permitted assigns.
- 8.7 Survival.** Sections 5.1, 5.5, 6.4, 6.9, and 8.7 shall survive any termination, expiration, or cancellation of this Agreement.
- 8.8 Counterparts and Execution by Facsimile and Electronic Mail.** This Agreement may be executed in one or more counterparts each of which when so executed shall be deemed to be an original and such counterparts together shall constitute but one and the same instrument. Delivery of an executed copy of a signature page to this Agreement by facsimile transmission or electronic mail shall be effective as delivery of a manually executed copy of this Agreement and each party hereto undertakes to provide each other party hereto with a copy of this Agreement bearing original signatures forthwith upon demand.
- 8.9 Non-Agent.** The Municipal Partner shall have no power or authority to bind the Attorney General or to assume or create any obligation or responsibility, express or implied, on behalf of the Attorney General. The Municipal Partner shall not hold itself out as an agent, partner, or employee of the Attorney General. Nothing in this Agreement shall have the effect of creating an employment, partnership or agency relationship between the Attorney General and the Municipal Partner or constitute an appointment under the *Public Service of Ontario Act, 2006*, (Ontario).
- 8.10 Confidentiality.** The parties acknowledge that personal information, as defined under the *Freedom of Information and Protection of Privacy Act* (Ontario) and the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario), will be disclosed and exchanged between the parties hereto and that such disclosure and exchange is authorized under the such acts.
- 8.11 Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

[The remainder of this page is intentionally left blank; Signature page to follow.]

IN WITNESS HEREOF, each of the parties hereto has caused this Agreement to be executed as of the date first written above.

**HIS MAJESTY THE KING IN RIGHT OF
ONTARIO AS REPRESENTED BY THE
ATTORNEY GENERAL**

Randy Schwartz,
Assistant Deputy Attorney General,
Criminal Law Division

CORPORATION OF THE CITY OF LONDON

Name:
Title

Name:
Title

I/We have the authority to bind the corporation.

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, CPA, CGA
Deputy City Manager, Finance Supports
Cheryl Smith
Deputy City Manager, Neighbourhood and Community-Wide Services

Subject: Ministry of Transportation DriveON Program

Date: July 17, 2024

Recommendation

That, on the recommendation of the Deputy City Managers of Finance Supports, and Neighbourhood and Community-Wide Services, the following actions **BE TAKEN**:

- a) The DriveON Program Performance Contract between His Majesty the King in Right of Ontario, as represented by the Director of Vehicle Inspection Standards, Ministry of Transportation and the Corporation of the City of London **BE APPROVED** to facilitate the City's participation in the Ontario Ministry of Transportation's DriveON Emissions and Safety Inspection Program;
- b) A Sole Source procurement in accordance with Section 14.3 (a) of the City of London's Procurement of Goods and Services Policy **BE APPROVED** with Parsons Inc. in relation to an Equipment Purchase and Maintenance Agreement and Pre-Authorized Debit Agreement required as a condition of transitioning to the DriveON Program;
- c) The Deputy City Manager, Finance Supports, or designate, **BE AUTHORIZED** to execute the above agreements and to approve and execute any amending or other agreements necessary to facilitate the City's transition to the DriveON Program;
- d) The Deputy City Manager, Neighbourhood and Community-Wide Services, or designate, **BE AUTHORIZED** to execute the above agreements and to approve and execute any amending or other agreements necessary to facilitate the City's transition to the DriveON Program; and,
- e) The attached Bylaw (Appendix "A") **BE INTRODUCED** at the Council meeting on July 23, 2024 to authorize the foregoing and direct the Civic Administration to carry out all necessary administrative actions in connection with the DriveON Program.

Executive Summary

The Ministry of Transportation (MTO) is replacing the existing paper-based safety and emissions programs for heavy and light duty motor vehicles into a single digital program called DriveON. The new program impacts existing Motor Vehicle Inspection Station (MVIS) license holders, of which Fleet Services and the London Fire Department maintain four inspection stations. To continue conducting mandatory vehicle safety inspections, Civic Administration must enroll in the DriveON program, purchase government issued inspection equipment, and train technicians.

This report requests that Council delegate the authority to Civic Administration to execute the necessary agreements to facilitate the City's transition to the DriveON Program. Although Fleet Services and the London Fire Department are submitting

distinct applications to the MTO, this document consolidates both requests into a unified report for Council's consideration.

Linkage to the Corporate Strategic Plan

This project supports the 2023-2027 Strategic Plan in the following area:

- Well-Run City, 1.1 (c) Londoners have trust and confidence in their municipal government – Continue to deliver municipal services that meet the needs of a growing and changing community.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter.

There are no relevant reports available.

1.2 Background

The current MVIS program is responsible for the regulation of vehicle inspections conducted at licensed garages, as well as the distribution of safety or structural certificates and stickers. The MVIS license holder bears full accountability for complying with all regulations in the *Highway Traffic Act*, and this license is non-transferable to other stations.

The Fleet Service and London Fire Department have four MVIS licenses and conduct mandatory inspections certifying their respective vehicles meet safety requirements. As stipulated by subsection 91(2) of the *Highway Traffic Act* and subject to requirements of *Ontario Regulation 170/22: Vehicle Inspection Centres*, no MVIS shall issue inspection certificates or stickers on vehicles that have passed inspection after August 1, 2024. Fleet Services and London Fire Department conduct hundreds of safety inspections per year and must enrol into the MTO's new digital inspection program DriveON in order to continue performing mandatory safety inspections.

2.0 Discussion and Considerations

Registration for the DriveON program is facilitated digitally via the DriveON Portal. Within the eleven-step process, the MVIS owner is required to electronically sign a Performance Contract with the Ministry (attached as Schedule "A"), Equipment Purchase and Maintenance Agreement (attached as Schedule "B") and Pre-Authorized Debit Agreement (attached as Schedule "C") with Parsons Inc. It should be noted that, in accordance with the *Municipal Act, 2001, SO 2001 c25 ("the Act") (s.8(1))*, the authority to bind the Corporation rests solely with City Council, except in cases where such authority has been formally delegated to civic administration.

In order to transition to the DriveOn program, Fleet Services and the London Fire Department are requesting authorization to execute the agreements necessary to facilitate the City's transition into the DriveON program. This report includes a proposed bylaw, attached as Appendix A, that would formally authorize the Deputy City Managers of Finance Supports and Neighbourhood and Community-Wide Services, or designates, to execute the required DriveON program agreements with the Ministry of Transportation and Parsons Inc.

2.1 Procurement Process

The implementation of the DriveON program will require maintenance personnel to utilize new inspection equipment including fit-for-purpose tablets for collecting inspection information, wireless sticker printer, and diagnostic adaptors. Fleet Services and the London Fire Department request approval to purchase the mandatory DriveON

equipment through the MTO's DriveON Portal. Parsons Inc. is the Provincial DriveON designated program service vendor that supports the purchase, delivery, installation, and repair of the inspection equipment. This request is in accordance with Section 14.3 (c) of the Procurement of Goods and Services Policy:

- 14.3 c. The complete item, service, or system is unique to one supplier and no alternative or substitute exists.

As per Section 14.5 a) of the Procurement of Goods and Services Policy, a sole source award not exceeding \$50,000 can be approved by Deputy City Manager or Council.

3.0 Financial Impact

Inspection stations that perform commercial safety inspections are required to purchase the Vehicle Inspection System Package for heavy duty vehicles through the DriveON Portal. It is estimated that between Fleet Services and the London Fire Department, eight commercial safety inspections kits are required for initial program operation with an estimated total cost of \$16,760 (excluding HST). The funding for the equipment is supported within the approved operating budgets of both Fleet Services and the London Fire Department.

Conclusion

The integration of Fleet Services and the London Fire Department into the DriveON program is a necessary step to ensure the City's continues to meet provincial regulations with inspecting and certifying vehicles for safe operation. To comply with the *Highway Traffic Act* and *Ontario Regulation 170/22: Vehicle Inspection Centres*, current MVIS license holders, which includes licenses managed by Fleet Services and the London Fire Department, must enroll in the new DriveON Program. This report requests, that due to the Ministry's necessity for electronic signatures in the agreements found in Schedules A, B, and C, that Council delegate Civic Administration the authority to execute the necessary agreements to facilitate the City's transition to the DriveON Program.

Prepared by: Drew Freeman, M.A., P.Eng.
Senior Manager, Fleet Services

Submitted by: Lynda Stewart
Director, Fleet and Facilities

Recommended by: Anna Lisa Barbon, CPA, CGA
Deputy City Manager, Finance Supports

Cheryl Smith
Deputy City Manager, Neighbourhood and
Community-Wide Services

Attached: Appendix A – Proposed by-law
Schedule A – DriveON Program Performance Contract
Schedule B – Equipment Purchase and Maintenance Agreement
Schedule C – Pre-Authorized Debit Agreement

cc: Richard Hayes, Deputy Fire Chief, Operations
Sachit Tataavarti, Solicitor, Legal Services
Christina McCreery, Solicitor, Legal Services

Appendix “A”

Bill No.
2024

By-law No. A.-

A by-law to authorize and approve agreements in relation the Ontario Ministry of Transportation DriveON Program and to delegate authority to the Deputy City Manager, Finance Supports and the Deputy City Manager, Neighbourhood and Community-Wide Services or their designates, to approve and execute further agreements in relation to the DriveON Program

WHEREAS subsection 5(3) of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the *Municipal Act, 2001* provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS subsection 10(1) of the *Municipal Act, 2001* provides that a municipality may provide any service or thing that the municipality considers necessary or desirable for the public;

AND WHEREAS subsection 10(2) of the *Municipal Act, 2001* provides that a municipality may pass by-laws respecting, among other things: accountability and transparency of the municipality and its operations; economic, social and environmental well-being of the municipality; and financial management of the municipality;

AND WHEREAS sections 9 and 10 and 23.1 through 23.5 of the *Municipal Act, 2001* authorize a municipality to delegate its powers and duties under this or any other Act to a person or body;

AND WHEREAS subsection 23.1 of the *Municipal Act, 2001* provides that, subject to the limitations found in sections 23.2 and 23.3 of the *Municipal Act, 2001*, S.O. 2001, c. 25, a municipality may delegate its powers and duties to a person or body;

AND WHEREAS Council delegates any authority pursuant to this by-law in accordance with Schedule “G” of By-law No. A.-6151-17 “Council Policy By-law,” as amended from time to time;

AND WHEREAS the Ontario Ministry of Transportation recently introduced the DriveON Emissions and Safety Inspection Program to combine the heavy-duty diesel vehicle emissions testing program and MTO’s Motor Vehicle Inspection Station (MVIS) Program into a single digital inspection program (the “DriveON Program”);

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The DriveON Program Performance Contract between His Majesty the King in Right of Ontario, as represented by the Director of Vehicle Inspection Standards, Ministry of Transportation and the Corporation of the City of London, attached as Schedule “A” to this by-law, is hereby authorized and approved.
2. The Equipment Purchase and Maintenance Agreement attached as Schedule “B” to this by-law and the Pre-Authorized Debit Agreement attached as Schedule “C” to this by-law between Parsons Inc. and the Corporation of the City of London are hereby authorized and approved.
3. The Deputy City Manager, Finance Supports and the Deputy City Manager, Neighbourhood and Community-Wide Services, or their designates, are hereby authorized to execute the agreements approved under sections 1 and 2 of this by-law.
4. The Deputy City Manager, Finance Supports and the Deputy City Manager, Neighbourhood and Community-Wide Services, or their designates, are hereby delegated the power to undertake any administrative actions necessary to transition the Corporation of the City of London to the DriveON Program, including the authority to approve and execute any further amending or associated agreements necessary to facilitate the City’s participation in the DriveON Program.
5. The Deputy City Manager, Finance Supports, and the Deputy City Manager, Neighbourhood and Community-Wide Services, or their designates, are authorized to act under sections 3 and 4 of this by-law, subject to the following:
 - i. such agreements are in a form satisfactory to the Deputy City Manager, Legal Services;
 - ii. such actions and agreements do not require additional funding or are provided for in the City’s current budget;
 - iii. such actions or agreements do not contain any financial arrangement, guarantee, indemnity or similar commitment that would increase, directly or indirectly, the indebtedness or contingent liabilities of The Corporation of the City of London;
 - iv. such actions are consistent with the principles of the City’s Procurement of Goods and Services Policy; and
 - v. the authority to execute agreements shall include the authority to electronically execute said agreements on behalf of the Corporation of the City of London.
6. This by-law shall come into force and effect on the day it is passed.

PASSED in Open Council on July 23, 2024

Josh Morgan
Mayor

Michael Schulthess
City Clerk

First Reading – July 23, 2024
Second Reading – July 23, 2024
Third Reading – July 23, 2024



**DriveON Program Performance Contract
for
Private Fleet Vehicle Inspection Centres**

B E T W E E N:

HIS MAJESTY THE KING IN RIGHT OF ONTARIO, as represented by the Director of Vehicle Inspection Standards, Ministry of Transportation

(Ministry)

- and -

[Legal name of the business entity]

(Contractor)

IN CONSIDERATION of the accreditation of the Contractor as a Vehicle Inspection Centre for the DriveON Program, and subject to the terms and conditions set out below, the Ministry and the Contractor agree as follows:

1. TERM

1.1 The term of this Performance Contract (**Contract**) for participation in the Ministry's DriveON Program (**Program**) begins on the date of its acceptance by the Ministry, as set out on the last page of this Contract, and continues until May 26, 2028, subject to the provisions of this Contract (**Term**).

2. OPERATION OF A VEHICLE INSPECTION CENTRE

2.1 The Contractor agrees to operate a Stationary or Mobile Vehicle Inspection Centre (**VIC**) and to keep the books and records of the VIC at the address identified on the DriveON Portal as its principal place of business.

2.2 The Contractor agrees to equip and operate the VIC and conduct vehicle safety and/or emissions Inspections (**Inspections**) for the issuance of Annual Inspection

Certificates (**AIC**), Semi-Annual Inspection Certificates (**SAIC**), Safety Standards Certificates (**SSC**), Structural Inspection Certificates (**SIC**), and/or Emissions Inspection Certificates (**EIC**) in accordance with the DriveON Standard Operating Procedures established by the Ministry, as amended from time to time by the Ministry (**SOP**) and the Directive made pursuant to Section 100.7 of the Highway Traffic Act, as amended from time to time by the Ministry (**Directive**).

- 2.3 The Contractor agrees to operate the VIC in a safe, reasonable, and prudent manner using qualified and experienced staff, including at least one trained and registered Technician as outlined in the SOP and the Directive, and in accordance with good business practices.
- 2.4 The Contractor agrees to operate in compliance with all federal, provincial, and municipal laws and regulations including, without limitation, the tax laws of Ontario and Canada. The Contractor agrees that the Ministry may confirm tax compliance with the tax authorities of Ontario and Canada at any time during the Term.
- 2.5 The Contractor agrees not to provide Inspection services to the public and will exclusively inspect and service their own private vehicles.

3. DOCUMENTS

- 3.1 This Contract includes the application and any documents submitted by the Contractor to the Ministry on the DriveON Portal in connection with accreditation as a VIC.
- 3.2 The provisions of the SOP and the Directive are incorporated into, and deemed to be part of, this Contract.
- 3.3 This Contract supersedes all other prior agreements, understandings, negotiations, and discussions, whether oral or written, of the parties.

4. INSURANCE

- 4.1 The Contractor agrees to maintain, in force, at all times during the Term, a policy of insurance which includes all of the following insurance coverage:
 - (a) commercial general liability of not less than \$3 million per occurrence on property damage, bodily injury, and personal injury
 - (b) for a Mobile VIC, the additional automobile insurance for any vehicle used to transport the Inspection equipment, with a limit of not less than \$3 million for third party property damage and bodily injury

Further, the Contractor agrees to add "His Majesty the King in right of Ontario as represented by the Minister of Transportation" as an Additional Insured in respect of the commercial general liability coverage described in (a) above, and shall provide to the Ministry upon request, certificates of insurance evidencing the types and amounts of insurance required by this Article and a copy of the insurance policy(ies).

4.2 The Contractor agrees to inform the Ministry immediately upon the cancellation of the above-stated policy of insurance or the removal of the Ministry as an Additional Insured.

5. INDEMNITY

5.1 The Contractor agrees to indemnify and save harmless the Ministry and its officers, employees, and agents from and against any claim, demand, damage, loss, expense, (including all costs incurred as a result of), or cause of action of any nature resulting from, or relating to, any of the following:

- (a) the operation of the VIC or the existence of any dangerous condition at the VIC
- (b) any breach or non-performance by the Contractor of any provision of this Contract
- (c) any damage to property, real or personal, owned by the Ministry or others, including any member of the public, caused by, or resulting from the Contractor's performance or non-performance under this Contract or the Contractor's operation of the VIC
- (d) any personal or bodily injury to, or death of, any person, including any member of the public, caused by or resulting from the Contractor's performance or non-performance under this Contract or the Contractor's operation of the VIC.

5.2 The Contractor agrees that any express or implied reference to the Ministry providing an indemnity or any other form of indebtedness or contingent liability that would directly or indirectly increase the indebtedness or contingent liabilities of the Ministry, whether at the time of execution of this Contract, or at any time during the Term, shall be void and of no legal effect.

6. EQUIPMENT

6.1 The Contractor agrees that all Inspections conducted at the VIC will be performed with equipment approved by the Ministry and such equipment will be purchased by the Contractor from the Program services vendor, Parsons Inc. (**Parsons**).

6.2 The Contractor agrees to enter into an Equipment Purchase and Maintenance Agreement (**EPMA**) with Parsons that specifies Inspection equipment pricing, configurations, replacement parts, maintenance and repair services, and warranties. The EPMA will include rights and responsibilities of the VIC and Parsons including a Ministry-approved appeal process for the Ministry to arbitrate disputes.

6.3 The Contractor agrees to provide and maintain appropriate computer hardware, software, and peripherals to provide an electronic link to the Ministry's information technology system operated by Parsons.

7. INSPECTION SERVICES

- 7.1 The Contractor agrees that every Inspection will be conducted by a Technician that has successfully completed training provided by Parsons and is registered with the Ministry. An emissions Technician must successfully complete the online emissions training, approved by the Director and can only conduct emissions Inspections as set out in the Directive, Schedule 1. All other Inspections, set out in the Directive, Schedules 2 through 5, will be conducted by Technicians according to their Certificate of Qualification as per the Building Opportunities in the Skilled Trades Act, 2021, if applicable (**Technician**).
- 7.2 The Contractor acknowledges that it is providing the Inspection services on a non-exclusive basis and that the Ministry makes no representation or guarantee that the Contractor will conduct any particular number of Inspections.

8. INSPECTION CERTIFICATES & PAYMENT UNDER CONTRACT

- 8.1 The Contractor agrees to issue an approved Vehicle Inspection Report (**VIR**) for every vehicle Inspected. A VIR for a vehicle that passes an Inspection will contain a Vehicle Inspection Certificate Number (**VICN**). The Contractor agrees that the Ministry will charge a fee as set out in Regulation 170/22 for each VIR that contains a VICN that applies to an AIC, SAIC, SSC, SIC, or EIC. Fails, aborts, or incomplete Inspection results will generate a VIR without a VICN and will not trigger a fee chargeable to the Contractor.
- 8.2 Payments by the Contractor pursuant to Section 8.1 of this Contract shall be made in accordance with the SOP and a Pre-Authorized Debit (**PAD**) Agreement which outlines the process for the Ministry to draw on the Contractor's Canadian bank account to pay for an AIC, SAIC, SSC, SIC, or EIC. The debits will occur on a weekly basis. Contractors are responsible for correctly inputting their banking data into the system to authorize the PAD. Where a Contractor has input incorrect banking information, the Contractor's Inspection equipment will be locked out until the Ministry is satisfied that the bank account information has been corrected. It is the Contractor's responsibility to alert Parsons that their bank account has been updated to initiate removal of the lockout of the Inspection equipment.
- 8.3 Non-Sufficient Funds (**NSF**) Policy - Contractors must ensure that their account balance is sufficient to cover weekly Inspection volume for their VIC, plus any amounts due to Parsons in accordance with the EPMA.

Contractors are responsible for any NSF charges incurred. Where a Contractor has a frozen or closed bank account or insufficient funds to enable a debit, the Contractor's Inspection equipment will be locked out until the Ministry is satisfied that their bank account has been sufficiently replenished, and any outstanding amounts have been collected. It is the Contractor's responsibility to alert Parsons that the account is ready to be drawn upon to remove a lockout of the Inspection equipment.

9. INCREASE OR DECREASE BY MINISTRY

9.1 Notwithstanding Article 8, the Ministry may from time to time during the Term, on at least 10 calendar days written notice, increase or decrease the fee as set out in regulation by such amount as the Ministry may determine.

10. AUDIT, INSPECTION AND COOPERATION

10.1 The Contractor agrees to permit the Ministry, Parsons, the Ministry's independent auditor, or such other persons as the Ministry may specify to audit, inspect, or review the books, records, and operations of the Contractor by covert or overt means, electronically, by telephone, or otherwise, from time to time, with or without notice, and the Contractor agrees to provide all reasonable access, cooperation and assistance for such purposes.

10.2 The Contractor agrees to provide reasonable cooperation to all contractors retained by the Ministry to provide services related to the Program, as identified by the Ministry.

10.3 Upon receipt of a request from the Director of Vehicle Inspection Standards, Ministry of Transportation, or such other person as the Ministry may designate, the Contractor agrees to provide all reasonable information and documentation to the Ministry and its contractors in respect of the operation of the VIC.

11. DATA AND INFORMATION

11.1 The Contractor acknowledges that the data collected as a result of an Inspection are the sole and exclusive property of the Ministry.

11.2 The Contractor agrees that all information obtained by the Contractor in conducting Inspections will be used solely for the purposes of the Program and will not otherwise be used or disclosed.

12. INSPECTION EQUIPMENT LOCKOUT

12.1 The Contractor acknowledges that the Ministry or Parsons may lockout the Contractor's Inspection equipment in accordance with the SOP. A lockout will prevent the Contractor from providing Inspections. If the Contractor resolves the matter that caused the lockout, to the satisfaction of the Ministry or Parsons, the Contractor may thereafter resume operation as a VIC.

13. PERFORMANCE INTERVIEW

13.1 The Ministry, on not less than 3 business days notice, may require the Contractor to attend before the Director of Vehicle Inspection Standards, Ministry of Transportation, or such other person as the Ministry may designate, for a performance interview to review the operation of the VIC. The Contractor agrees to attend any performance interview and to bring such books, records, and staff of the VIC as the Ministry may specify in the notice.

14. SUSPENSION AND TERMINATION

14.1 The Contractor agrees that, in the event that it breaches any provision of this Contract, the Ministry may in its sole discretion:

- (a) issue a suspension notice immediately suspending the accreditation of the Contractor for such period of time as may be set out in the suspension notice; or
- (b) issue a termination notice immediately terminating this Contract and revoking the accreditation of the Contractor,

and the Contractor acknowledges that the Ministry is not required to conduct a performance interview before issuing either a suspension notice or a termination notice.

14.2 If the Ministry issues a suspension notice or a termination notice, the Contractor shall immediately complete all of the following:

- (a) cease to operate or hold itself out as an accredited VIC
- (b) cover or remove from the VIC the Program sign and Program materials obtained from the Ministry
- (c) cover or remove the Official Marks from any other sign or materials, including websites, of the Contractor, and cease the display or use of any sign or materials containing an Official Mark
- (d) upload all offline Inspections.

14.3 If the Contractor resolves to the satisfaction of the Ministry the matter that caused the Ministry to issue the suspension notice, then the Ministry may on written notice to the Contractor revoke the suspension notice and the Contractor may thereafter resume operation as a VIC.

14.4 The Contractor agrees to allow the Ministry, or such other persons as the Ministry may specify, to enter and inspect the VIC immediately upon the issuance of a suspension notice or a termination notice, and to cover or remove the Program sign and Program materials if the Contractor has not immediately done so, and to remove, cover, or destroy any sign or materials of the Contractor that display an Official Mark.

14.5 The Contractor acknowledges and agrees that it is responsible for and can be suspended or terminated in respect of the actions of its partners, directors, officers, agents, and employees, including Technicians.

15. APPEAL PROVISION

15.1 The Ministry and the Contractor agree that the Contractor may appeal the issue of a suspension notice or termination notice issued under Article 14 to a single arbitrator under an arbitration established pursuant to the Arbitration Act, 1991 (Ontario).

15.2 An appeal under Section 15.1 shall be made by notice in writing delivered to the Ministry within 15 calendar days of the issue of the suspension notice or termination notice, as the case may be.

15.3 The Contractor agrees that the arbitration must be established by an executed arbitration agreement and concluded within 12 months from the date of the issued suspension notice or termination notice. If the arbitration is not concluded within the 12-month period, then the appeal right shall be considered waived by both the Ministry and Contractor.

16. EXPERTS

16.1 The Contractor acknowledges that the Ministry may obtain advice and assistance from experts and advisors, including Parsons, for the purposes of administering this Contract, conducting a performance interview, issuing a suspension notice or issuing a termination notice, or in an arbitration.

17. REPRESENTATION AND WARRANTY

17.1 The Contractor represents and warrants that all information contained in the application and in any documents submitted by the Contractor to the Ministry in connection with accreditation as a VIC, or the administration of the Contract, or inputted into the DriveON Portal, is true, correct, and accurate.

18. NOT AGENTS

18.1 The Contractor and its partners, directors, officers, agents, and employees, which include Technicians, are not employees or agents of the Ministry.

19. CONFLICT OF INTEREST

19.1 The Contractor and its partners, directors, officers, agents, and employees, which include Technicians, shall not engage in any activity or provide any product or service in respect of the Program where such activity, or the provision of such product or service, creates an actual or potential conflict of interest (in the sole opinion of the Ministry) with the Contractor's obligations as a VIC. For certainty, it is a conflict of interest to offer a product or service that removes, bypasses, defeats or renders inoperative all or part of a motor vehicle's emission control system or modifies a motor or motor vehicle in any way that results in increased emissions from the level to which it was originally designed or certified by the manufacturer of the motor or motor vehicle.

19.2 The Contractor acknowledges that the Ministry may engage contractors to provide services related to the Program including Inspection equipment, training, contact centre, information systems, quality assurance/quality control auditing, independent auditing, and any other services required to carry out the Program, and the Contractor agrees that no shareholder, partner, director, officer, or key management employee shall directly or indirectly, own, have an interest in or participate in the management of any of the contractors providing such services.

19.3 The Contractor must disclose to the Ministry without delay any actual or potential situation which may reasonably be interpreted as either a conflict of interest or a

potential conflict of interest, and the Contractor shall not engage in the conduct out of which it is conflicted unless and until the Ministry notifies the Contractor to proceed notwithstanding the actual, apparent or potential conflict.

- 19.4 The Ministry may terminate this Contract in the event of a breach of this section by the Contractor, in addition to any other remedies that the Ministry may have in law or in equity.

20. PROMOTION RESTRICTIONS & NON-DISPARAGEMENT

- 20.1 Any publicity or publications related to the Contract shall be at the sole discretion of the Ministry. The Ministry may, in its sole discretion, acknowledge the services provided by the Contractor pursuant to this Contract in any such publicity or publication, including a Program website. The Contractor shall not make use of its association with the Ministry or the Program without the prior written consent of the Ministry. Without limiting the generality of this section, the Contractor shall not, among other things, at any time directly or indirectly communicate with the media in relation to the Contract or the Program, unless it has first obtained the express written authorization to do so by the Ministry.

- 20.2 The Contractor shall not disparage the Program orally or in writing, and will not publish, post, or otherwise release any material in written or electronic format (including social media posts), make speeches, gain interviews, or make public statements that mention the Program without the prior written consent of the Ministry.

- 20.3 The Contractor shall not use or attempt to use its association with the Program or the Ministry which would be contrary to law, common decency or good morals or otherwise be improper or detrimental to the Program or the Ministry.

21. NON-TRANSFERABLE

- 21.1 The Contractor acknowledges that accreditation as a VIC and this Contract are not transferable or assignable, in whole or in part, to another person or to another location without the prior written approval of the Ministry.

22. TERMINATION OF CONTRACT ON NOTICE

- 22.1 The Ministry, in its sole and absolute discretion, may terminate this Contract at any time prior to May 26, 2028, on not less than six (6) months written notice to the Contractor. In that event, all of the following apply:

- (a) this Contract is terminated as of the date set out in the notice
- (b) the Contractor shall comply with all the obligations set out in Article 14
- (c) the Ministry has no further obligation or liability to the Contractor in connection with this Contract or the Program.

- 22.2 Article 15 (Appeal Provision) does not apply to a termination notice issued under Article 22.

23. CROSS-DEFAULT CLAUSE

- 23.1 The Contractor acknowledges that a breach by the Contractor of any provision of this Contract shall be deemed to be a breach of any other contract that the Contractor has entered into with the Ministry. Further, the Contractor acknowledges that a breach by the Contractor of a provision of any other such contract shall be deemed to be a breach under this Contract.

24. OFFICIAL MARKS & PROGRAM SIGNAGE

- 24.1 The Official Marks created for the Program and registered in accordance with the Trade-marks Act (Canada) are set out in the SOP.

The Ministry hereby licenses the Contractor to use the Official Marks solely for the purposes of its activities as a VIC. The Ministry may on written notice permit the Contractor to use other marks of the Ministry for the Program. Use of the Official Marks shall be in accordance with all directives and policies outlined in the SOP. This licence expires immediately upon the suspension, termination, or expiration of this Contract.

- 24.2 The Ministry will not supply the Contractor with a Program sign, nor is the Contractor permitted to display a Program sign as it may cause confusion to the public.

25. SECURITY CLEARANCE CHECKS

- 25.1 Upon notification from the Ministry, the Contractor shall require any director, officer, agent, contractor, sub-contractor, or employee including Technician, engaged in the delivery of goods or performance of services under this Contract to undergo security clearance checks in accordance with the Ontario government's policy at the Contractor's cost.

- 25.2 Upon notification from the Ministry, the Contractor shall be required to provide the necessary information for each individual requiring security clearance by the Security Services and Contingency Planning Branch of the Ministry of Public and Business Service Delivery.

26. OTHER PROVISIONS

- 26.1 This Contract is governed by the laws of the Province of Ontario and the laws of Canada.

- 26.2 Counterparts - The Contract may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

- 26.3 All notices and documents required or permitted to be given by one party to the other party under this Contract shall be in writing and delivered personally, by courier or sent by email:

(a) in the case of the Ministry, to it at:

Director of Vehicle Inspection Standards
Ministry of Transportation
87 Sir William Hearst Avenue, Suite 211
Toronto, ON M3M 0B4
Email: VehicleOversight@Ontario.ca

(b) in the case of the Contractor, to the address set out on the DriveON Portal

or such other address as the party has provided by written notice to the other party.

26.4 Time shall be of the essence of this Contract.

26.5 Condonation Not a Waiver - Occurrences where the Ministry has previously forgiven or condoned the Contractor’s failure to perform any of the terms or conditions of the Contract does not mean that the Ministry has waived its right to require the Contractor to perform the terms and conditions of the Contract, and the obligations of the Contractor with respect to such performance will continue in full force and effect.

26.6 For certainty, this Contract may be assigned by the Ministry to any person on not less than 60 calendar days notice to the Contractor.

26.7 **Article 3** (Documents), **Article 5** (Indemnity), **Article 8** (Inspection Certificates & Payment Under Contract), **Article 10** (Audit, Inspection and Cooperation), **Article 11** (Data and Information), **Article 14** (Suspension and Termination), **Article 15** (Appeal Provision), **Article 17** (Representation and Warranty), **Article 18** (Not Agents), **Article 19** (Conflict of Interest), **Article 20** (Promotion Restrictions & Non-Disparagement), **Article 22** (Termination of Contract on Notice), and **Article 24** (Official Marks & Program Signage) survive the expiration or termination of this Contract.

26.8 If any provision of this Contract is invalid or unenforceable, the remainder of this Contract shall not be affected.

26.9 This Contract expires on May 26, 2028.

EXECUTED on behalf of the Contractor at _____ on

(City/Town)
_____, 20____.
(Month Day)

Print Name

Title

I have the authority to bind the Contractor.

ACCEPTED AND APPROVED by His Majesty the King in Right of Ontario, as represented by the Director of Vehicle Inspection Standards, Ministry of Transportation

Date

Name:

DriveON

EQUIPMENT PURCHASE AND MAINTENANCE AGREEMENT

Prepared by: Parsons

Date: November 2022

Version: 2.2

*This is a paper version of the agreement the parties will sign electronically
Customer must set up a user account on the Program portal to access the online agreement*

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DriveON
EQUIPMENT PURCHASE AND MAINTENANCE AGREEMENT
TERMS AND CONDITIONS

1.0 AGREEMENT; PARTIES

This Equipment Purchase and Maintenance Agreement (**EPMA** or **Agreement**) is made by and between Parsons Inc., a Federally Chartered Corporation incorporated under the laws of Canada with principal place of business located at 625 Cochrane Drive, Suite 300, Markham, Ontario L3R 9R9 (hereinafter **Parsons**) and the Owner of the Vehicle Inspection Centre (**VIC**) authorized by the Province to participate in the Ontario **DriveON Program** and executing this Agreement on the signature page (hereinafter **Customer**). Customer and Parsons may be referred to herein individually as a party or collectively as the parties.

2.0 AUTHORITY

The Ontario Ministry of Transportation (the **Ministry, Province** or **MTO**) and Parsons have entered an agreement (**Provincial Agreement**) under which Parsons will provide you (**Customer**) with access to the DriveON System and Vehicle Inspection System (**VIS**) and Component purchase and Repair Services as set out in Section 5.0 “Services Provided Under This Agreement”.

3.0 TERM OF AGREEMENT

Effective Date: This Agreement takes effect upon approval of the Customer’s DriveON Enrollment Application and the signing of this Agreement by both parties.

End Date: Unless terminated by mutual written agreement of the parties, this Agreement shall remain in effect until the occurrence of any of the following events (in all cases Customer shall pay Parsons for all Services rendered prior to the date of expiration, termination or cancellation):

- 3.1 By written notice provided by Parsons, if Customer or Customer’s staff threaten or are otherwise abusive to Parsons employees, subcontractors, or other representatives,
- 3.2 By written notice provided by Parsons if any amount due to Parsons remains unpaid after exhaustion of the collection efforts set out in Section 7.4 “Faulty Payments”,
- 3.3 Unless otherwise stated in this Agreement, by written notice provided by Parsons, if Customer fails to cure any breach or default of this Agreement by Customer within thirty (30) days of Parsons providing Customer with written notice of said breach or default,
- 3.4 The date of expiration, termination or cancellation of the Provincial Agreement. In the event the Province extends the Provincial Agreement beyond the base term (May 26, 2028) this Agreement may be automatically renewed to match the term of the Provincial Agreement,
- 3.5 Customer terminates its participation in DriveON, or if Customer’s participation is terminated by the Province or Parsons,
- 3.6 If Customer (i) becomes insolvent or institutes or has instituted against it a petition for bankruptcy or is adjudicated bankrupt; (ii) executes a bill of sale, deed of trust, or a general assignment for the benefit of creditors; (iii) is dissolved or transfers a substantial portion of its assets to a third party; or (iv) a receiver is appointed for the benefit of its creditors, or a

receiver is appointed on account of insolvency.

Each party shall continue to comply with any obligations stated herein that survive the expiry or termination of this Agreement. In particular, the termination or expiration of this Agreement shall not affect the survival and continuing validity of Section 7.0 “Fees and Payments” or of any other provision that is expressly or by implication intended to continue in force after such termination or expiration.

4.0 PERFORMANCE CONTRACT; PROGRAM STANDARD OPERATING PROCEDURES (SOP); PROGRAM DIRECTIVE

As the Province’s DriveON Program Services Vendor, Parsons will perform certain services on behalf of the Ministry. Customer agrees to cooperate fully with Parsons on all such matters and to adhere to the terms and conditions of Customer’s Performance Contract, the Program SOP and Directive.

5.0 SERVICES PROVIDED UNDER THIS AGREEMENT

Parsons will sell to Customer, Vehicle Inspection Systems (VIS) and Components (**Equipment**) conforming to Provincially approved Specifications and provide Warranty and non-warranty Repair Services under the terms and conditions set out herein. Parsons will provide Vehicle Inspection Centre Technical Support Line services (**VIC Technical Support**) by various communication channels as detailed on the Program Portal. Customer will utilize the Program Portal to obtain assistance concerning all aspects of this Agreement, including but not limited to, the purchase, delivery, installation, use, and repair of Equipment; Program portal login issues; and the retirement, transfer or sale of VIS.

6.0 EQUIPMENT PURCHASES; WARRANTIES; REPAIR SERVICES

6.1 VEHICLE INSPECTION SYSTEMS AND PRICES

Customer will purchase all Vehicle Inspection Systems (VIS) and Components as required over the term of this Agreement from Parsons, unless Appendix 2, Section 2.0 “Retirement, Transfer or Sale of Equipment” applies.

This Agreement presents five Vehicle Inspection System packages designed to meet the needs of VICs with different requirements.

Customer has the option to purchase the required VIS components separately pursuant to the Equipment and Parts Price List in Table 1 at section 6.1.6 instead of ordering a Vehicle Inspection System Package.

The OneOBD with 16 PIN OBD Cable is required to perform all emissions and/or safety inspections. The OneOBD with 16 PIN OBD Cable is on backorder. Customer must purchase the OneOBD with 16 PIN OBD Cable once it is in stock to remain an accredited VIC, with the exception of VICs that only perform safety inspections on trailers or motorcycles.

- **Vehicle Inspection System Package 1** is for legacy emissions stations who want to transition their exiting Dieseltune DX270 opacity meter(s) and accessories to the Program – see Section 6.1.1

- **Vehicle Inspection System Package 2** is for legacy emissions stations who have working accessories from a Dieseltune DX240 opacity meter they want to transition to the Program – see Section 6.1.2
- **Vehicle Inspection System Package 3** is a complete package with all new inspection equipment for emissions inspections – see Section 6.1.3
- **Vehicle Inspection System Package 4** is a complete package with all new inspection equipment for conducting HDV Safety Inspections – see Section 6.1.4
- **Vehicle Inspection System Package 5** is a complete package with all new inspection equipment for conducting LDV and/or Motorcycle Safety Inspections – see Section 6.1.5

6.1.1 Legacy Emissions Station Transitioning Dieseltune DX270 Opacity Meter and Accessories

Until June 30, 2022, if Customer was a participant in the legacy MECP Ontario Heavy Duty Emissions Testing Program (**legacy emissions station**), Customer may:

- Choose to transition their legacy DX270 opacity meter(s) and the following accessories to DriveON: horizontal probe, vertical probe, oil temperature sensor, optical tachometer, optical tachometer magnetic mount and reflective tape. (**Eligible Legacy Opacity Meter and Accessories**); and/ or
- Purchase a new DX270 opacity meter(s) and/ or related accessories from Parsons.

No other opacity meter or accessories may be used in the Program.

Customer must maintain the Vehicle Inspection System in Normal Operating Condition as defined herein. There is no Warranty on Customer’s Eligible Legacy Opacity Meter and Accessories, should Repair Service be required, Customer will pay all costs to repair or replace the faulty component(s) on Eligible Legacy Opacity Meter and Accessories including related shipping costs.

Vehicle Inspection System Package 1: Legacy emissions stations transitioning an Eligible Legacy Opacity Meter and all Eligible Legacy Accessories to DriveON require the following package:

Vehicle Inspection System Package 1	
Ruggedized Tablet Computer (including licensed DriveON software)	
OneOBD with 16 PIN OBD Cable	
OneConnect Opacity Meter Wireless Communications Device	
9 PIN/ 6 PIN Adaptor	
Price*: \$1,536.00	
Add On Component to conduct Heavy Vehicle Safety Inspections	
Sticker Printer	Price*: \$666.00

* Taxes extra if applicable.

If Customer’s Eligible Legacy Opacity Meter is not in Normal Operating Condition as required, Customer must have Parsons repair it at Customer’s expense prior to it being accepted for use in the Program. If Customer prefers not to repair their legacy opacity meter, Customer may purchase a replacement opacity meter from Parsons.

If any of Customer’s Eligible Legacy Opacity Meter Accessories are not in Normal Operating Condition as required, it is not eligible to participate in the Program and Customer must purchase a replacement accessory from Parsons.

A complete price list of available VIS Components and replacement parts is set out in Section 6.1.6 Table 1 “Equipment and Parts Price List”.

6.1.2 Legacy Emissions Station Transitioning Dieseltune DX240 Accessories

Until June 30, 2022, if Customer was a legacy emissions station with a Dieseltune DX240 opacity meter(s) and related accessories, Customer cannot use their DX240 opacity meter(s) or the vertical or horizontal probes in DriveON, but is permitted to transition the following DX240 accessories: oil temperature sensor, optical tachometer, optical tachometer magnetic mount and reflective tape (**Eligible Legacy Opacity Meter Accessories**).

Customer must maintain the Customer’s Eligible Legacy Opacity Meter Accessories in Normal Operating Condition. There is no Warranty on Customer’s Eligible Legacy Opacity Meter Accessories should Repair Service be required. Customer will pay all costs to repair or replace the faulty component(s) including related shipping costs.

Vehicle Inspection System Package 2: Legacy emissions stations transitioning all Eligible Legacy DX240 Accessories to DriveON require the following package:

Vehicle Inspection System Package 2	
Ruggedized Tablet Computer (including licensed DriveON software)	
OneOBD with 16 PIN OBD Cable	
OneConnect Opacity Meter Wireless Communications Device	
9 PIN/ 6 PIN Adaptor	
DX270 Opacity Meter	
Horizontal Probe	
Vertical Probe	
Price*: \$4,615.00	
Add On Component to conduct Heavy Vehicle Safety Inspections	
Sticker Printer	Price*: \$666.00

* Taxes extra if applicable

If any of Customer’s Eligible Legacy Opacity Meter Accessories are not in Normal Operating Condition as required, they are not eligible to participate in the Program and Customer must purchase a replacement accessory from Parsons.

A complete price list of available VIS Components and replacement parts is set out in Section 6.1.6 Table 1 “Equipment and Parts Price List”.

6.1.3 Complete VIC Emissions Package

VICs who did not participate in the legacy MECP Ontario Heavy Duty Emissions Testing Program that are accredited to perform DriveON emissions inspections (**new emissions VICs**) will require the following package of equipment

Vehicle Inspection System Package 3: New emissions VICs require the following:

Vehicle Inspection System Package 3	
Ruggedized Tablet Computer (including licensed DriveON software)	
OneOBD with 16 PIN OBD Cable**	
OneConnect Opacity Meter Wireless Communications Device	
9 PIN/ 6 PIN Adaptor	
DX270 Opacity Meter	
Horizontal Probe	
Vertical Probe	
Oil Temperature Sensor	
Optical Tachometer	
Reflective Tape	
Optical Tachometer Magnetic Mount	
Price*: \$6,185.00	
Add On Component to conduct Heavy Vehicle Safety Inspections	
Sticker Printer	Price*: \$666.00

* Taxes extra if applicable.

** The OneOBD with 16 PIN OBD Cable is required to perform emission inspections on heavy vehicles manufactured with OBD. The OneOBD with 16 PIN OBD Cable is currently on backorder. Package 3 will be available for sale when the OneOBD with 16 PIN OBD Cable is in stock.

6.1.4 Vehicle Inspection Centres Performing Safety Inspections on Heavy Duty Vehicles

VICs that are accredited to perform DriveON safety inspections and issue AIC with Stickers and SAIC with Stickers will require the following package of equipment.

Vehicle Inspection System Package 4: VICs that conduct HDV Safety Inspections require the following:

Vehicle Inspection System Package 4	
Ruggedized Tablet Computer (including licensed DriveON software)	
Sticker Printer	
Price*: \$1,904.00	
OBD Components**	
OneOBD with 16 PIN OBD Cable **	Price*: \$137.00
9 PIN/ 6 PIN Adaptor ***	Price*: \$54.00

* Taxes extra if applicable.

** The OneOBD with 16 PIN OBD Cable is required to perform safety inspections on heavy vehicles manufactured with OBD. The OneOBD with 16 PIN OBD Cable is currently on backorder. VICs must purchase the OneOBD with 16 PIN OBD Cable once it is in stock.

*** VICs that perform inspections on heavy vehicles that have either a 9 PIN or a 6 PIN OBD connector, must also purchase the 9 PIN / 6 PIN Adaptor, in addition to the OneOBD with 16 PIN OBD Cable.

VICs that only perform trailer safety inspections, are not required to purchase OneOBD with 16 PIN OBD Cable and the 9 PIN / 6 PIN Adaptor.

6.1.5 Vehicle Inspection Centres Performing Safety Inspections on Light Duty Vehicles and Motorcycles

VICs that are accredited to perform DriveON safety inspections on light duty vehicles and/or motorcycles will require the following package of equipment.

Vehicle Inspection System Package 5: VICs that conduct LDV and/or Motorcycle Safety Inspections require the following:

Vehicle Inspection System Package 5	
Ruggedized Tablet Computer (including licensed DriveON software)	
Price*: \$1,399.00	
OneOBD with 16 PIN OBD Cable **	Price*: \$137.00

* Taxes extra if applicable.

** The OneOBD with 16 PIN OBD Cable is required to perform safety inspections. The OneOBD with 16 PIN OBD Cable is currently on backorder. VICs must purchase the OneOBD with 16 PIN OBD Cable once it is in stock.

VICs that only perform motorcycle safety inspections, are not required to purchase the OneOBD with 16 PIN OBD Cable.

6.1.6 Equipment and Parts Price List

A complete price list by VIS Component is set out in the table below.

**Table 1
Equipment and Parts Price List**

Equipment (VIS Components)	Warranty*	Price**
Ruggedized Tablet Computer	4 years	\$1,399.00
Refurbished Tablet Computer	6 months	\$1,189.00
OneOBD (includes 16 PIN Cable)	2 years	\$137.00
Refurbished OneOBD (includes 16 PIN Cable)	6 months	\$136.00
Sticker Printer	2 years	\$666.00
Refurbished Sticker Printer with power supply	6 months	\$450.00
OneConnect Opacity Meter Wireless Communications Device	2 years	\$747.00
9 PIN/ 6 PIN Adaptor	2 years	\$54.00
Opacity Meter - Includes Opacity Meter Cable (15m)	2 years	\$3,079.00
Refurbished Opacity Meter	6 months	\$2,800.00
Horizontal Probe	2 years	\$196.00
Vertical Probe	2 years	\$126.00
Oil Temperature Sensor	2 years	\$123.00
Optical Tachometer	2 years	\$222.00
Reflective Tape (100 inches)	2 years	\$61.00
Optical Tachometer Magnetic Mount	2 years	\$41.00
Oil Temperature Extension Cable	2 years	\$66.00
Replacement Parts		
OneConnect Opacity Meter Wireless Communications Device Power Supply	2 years	\$43.00
16 PIN OBD Cable	2 years	\$66.00
Ruggedized Tablet Computer Charger	2 years	\$61.00
Sticker Printer (Printer Only; Only available to purchase to replace a defective sticker printer not covered under warranty)	2 years	\$548.00
Sticker Printer Power Supply	2 years	\$61.00
Sticker Printer Ribbon*** (74 meters)	N/A	\$64.00
Sticker Printer Print Head	2 years	\$221.00

Equipment (VIS Components)	Warranty*	Price**
Blank Sticker Stock*** (Per Sticker)	N/A	\$0.35
Opacity Meter Cable (15m) Sampling Head Cable with Connector (Communication cable w/Barrel connector)	2 years	\$381.00
Opacity Meter Cable Kit (with end plate) Fixed Outlet Assembly with Sampling Head Cable with Connector (DX270 Cable Assembly 20m)	2 years	\$582.00
Optical Tachometer Cable	2 years	\$72.00
Replacement Tablet Computer Rechargeable Battery – 60W	1 year	\$249.00
Reusable Shipping Container for Opacity Meter	N/A	\$60.00

* All Warranties are subject to the terms and conditions stated herein including but not limited to Sections 6.6, 6.10, 6.14, 6.15, and 6.16.

** Taxes extra if applicable.

*** There is no charge to the VIC for Sticker Printer Ribbon or Blank Sticker Stock or shipping of these items during the Term unless the Sticker Printer Ribbon or Blank Sticker Stock are stolen, lost, damaged, or otherwise missing as outlined in Section 8

6.1.7 Standard Paper Printer: Parsons does not offer standard paper printers, toner or paper for sale to VICs. In addition, Parsons does not offer any standard paper printing services through the Tablet Computer. Vehicle Inspection Reports are provided in Adobe Acrobat PDF format and can be emailed to the VIC's email address, enabling VICs to print the documents on their own paper printer.

6.2 REFURBISHED VIS COMPONENTS

Subject to availability, Parsons may offer refurbished Components as defined herein for sale to Customer at a reduced price compared to new Components. For clarity, if Customer requires Components and no refurbished Component is available, Customer must purchase new Component at full price. Prices for refurbished Components are set out in Section 6.1.6, Table 1.

6.3 ORDERING VEHICLE INSPECTION SYSTEMS

Upon execution of this Agreement by the parties and the signing of Customer's Performance Contract by the Ministry, Customer may order a Vehicle Inspection System and/ or Components.

6.4 SHIPMENT OF EQUIPMENT

6.4.1 **Initial Equipment Order:** Parsons will ship a Vehicle Inspection System (VIS) to the VIC within sixty (60) days of placement of Customer's order. Upon delivery of the VIS and completion of all Readiness Requirements as defined herein, Customer will unpackage the VIS and follow the step-by-step setup instructions provided with the VIS, power up the VIS and follow the onscreen instructions to perform a guided orientation of

the VIS. Upon completion, the Customer's VIS will be activated to perform vehicle inspections.

6.4.2 Orders for Additional Equipment Subsequent to VIC's activation in the Program:

Parsons will ship new or Refurbished Equipment within two (2) Business Days of Customer placing an order, unless otherwise stated herein.

6.4.3 Repaired Components Not Covered Under Warranty: Parsons will ship repaired Components within two (2) Business Days of Customer approving Parsons' repair quotation, unless otherwise stated herein.

6.4.4 Replacement Components Provided Under Warranty: Parsons will ship replacement Components to Customer within two (2) Business Days of Customer's request for support, unless otherwise stated herein.

For all orders, Customer will receive an email notification with shipment tracking information upon shipment.

6.5 CUSTOMER VEHICLE INSPECTION SYSTEMS ACCEPTANCE

Vehicle Inspection Systems require Customer's signature upon delivery. If delivered by common carrier, Customer shall inspect the shipment's packaging for visible damage and if applicable, will note the damage on carrier's shipping receipt. Unless properly used for return of a Component to Parsons, removal and disposal of packing materials for VIS or Components are the responsibility of Customer and shall be done in compliance with all municipal, provincial, and federal laws, regulations, and guidelines. It is recommended that Customer keep the Tablet Computer original packaging and/ or opacity meter original shipping container for ease and safety of future shipping of the Tablet Computer and/ or opacity meter for repairs, if required.

6.6 EQUIPMENT WARRANTIES; WARRANTY DURATION

Parsons shall be the only provider of Equipment Repair Services to Customer. Parsons provides all new Equipment and/ or Refurbished Equipment sold hereunder, and any Equipment Repair Services provided at Customer's expense hereunder, with a Repair Services Warranty as described herein at no additional cost to Customer (**Repair Services Warranty** or **Warranty**). Equipment Warranty coverage, terms of coverage, duration of Warranty and related terms and conditions are set out below.

6.6.1 Parsons Warranties: Parsons warrants that the Equipment (including any necessary repaired and/or replacement Components in connection with the Repair Services) delivered hereunder shall conform to Provincial Specifications, descriptions, and other conditions of this Agreement; be free from liens and encumbrances with good title conveyed upon full payment of the purchase price; and be fit and safe for their intended purpose.

6.6.2 Repair Services provided under Warranty: For all Equipment under Warranty, Parsons will repair or replace it as required to return it to Normal Operating Condition as defined

herein at Parsons' expense. All Repair Services Warranties cover manufacturing defects and will be provided in accordance with the terms of this Agreement. Parsons does not provide services onsite at the VIC.

6.6.3 Duration of Warranty Coverage: All new and/ or Refurbished Equipment purchased hereunder, any Equipment Repair Services provided at Customer's expense hereunder, and/ or Replacement Equipment provided under warranty hereunder, qualify for Warranty coverage as follows:

6.6.3.1 **New Tablet Computer:** Parsons will delay the start of Customer's new Tablet Computer Warranty when it is included in Customer's initial Equipment order placed during the Program rollout as follows:

6.6.3.1.1 Initial Equipment Order: Warranty services provided for four (4) years beginning on the earlier of the following dates:

- the first activation/ connection of Customer's Vehicle Inspection System to the DriveON network following receipt of new Tablet Computer by Customer.
- thirty (30) days following receipt of new Tablet Computer by Customer.

6.6.3.1.2 Other Orders: Warranty services provided for four (4) years beginning on the date the new Tablet Computer is received by Customer.

6.6.3.1.3 Tablet Computer Rechargeable Battery: Parsons warrants Rechargeable Tablet Computer Batteries will be free of manufacturing defects as set out below:

6.6.3.1.3.1 Rechargeable Battery in new Tablet Computer: Battery is covered for three (3) years beginning when the Tablet Computer warranty takes effect as set out in this section. If Parsons replaces Customer's battery under Warranty, the remaining balance of the Warranty period on the original Battery will transfer to the Replacement Battery.

6.6.3.1.3.2 Rechargeable Battery in Refurbished Tablet Computer: Battery is covered for six (6) months beginning on the date the refurbished Tablet Computer is received by Customer.

6.6.3.1.3.3 Replacement Tablet Computer Rechargeable Battery purchased by Customer: If Customer's battery is no longer under warranty, Customer must purchase a Replacement Tablet Computer Rechargeable Battery

from Parsons and Parsons will provide a one (1) year Warranty from the date the Replacement Tablet Computer Rechargeable Battery is received by Customer.

6.6.3.1.3.4 For clarity, the above Warranties do not cover the battery capacity decline that happens to all rechargeable batteries over time and with the use of the battery.

6.6.3.2 **Other New Equipment (excluding new Tablet Computer):** Parsons will delay the start of Customer's new Equipment Warranty when it is included in Customer's initial Equipment order placed during the Program rollout as follows:

6.6.3.2.1 Initial Equipment Order: Warranty services provided for two (2) years beginning on the earlier of the following dates:

- the first activation/ connection of Customer's VIS to the DriveON network following receipt of the new VIS by Customer,
- thirty (30) days following receipt of the new VIS by Customer.

6.6.3.2.2 Other Orders: Warranty services provided for two (2) years beginning on the date the new Equipment is received by Customer.

6.6.3.3 **Refurbished Component:** If Customer purchases refurbished Components as defined herein, Warranty services are provided for six (6) months beginning on the date the refurbished Component is received by Customer.

6.6.3.4 **Repaired Equipment:** If Customer's out-of-warranty Equipment is repaired by Parsons at Customer's expense, Parsons provides a six (6) month Warranty on any repaired Equipment, beginning on the date the repaired Equipment is received by Customer.

6.6.3.5 **Replacement Equipment Provided Under Warranty by Parsons:** Should Parsons replace Customer's Equipment under Warranty, the remaining balance of the Warranty period on the original Equipment will transfer to the Replacement Equipment. There shall be no additional warranty on Replacement Equipment.

6.6.4 **Warranty Coverage on Parts Within Larger Components:** Warranties cover repair or replacement of any defective Equipment and/ or any defective Equipment repair provided hereunder, including the cost of labour required to perform the repair or replacement. For clarity, if the defective part being replaced/ repaired is a part within a larger component, this Warranty extends to only the repaired or replaced part and not the entire component.

6.6.5 Unexpired Term: Any unexpired term remaining on any Equipment Warranty will expire upon completion of the base term of this Agreement, May 26, 2028, unless this Agreement is renewed in accordance with Section 3.4, with the Province extending the Provincial Agreement for up to three (3) additional years, in which case the Warranty will extend beyond May 26, 2028 to the earlier of (a) the end of the original Warranty term or (b) the end of the extended term of this Agreement.

6.7 REPAIR SERVICES: ELIGIBLE LEGACY OPACITY METERS

If Customer's Eligible Legacy Opacity Meter requires Repair Service, Customer will be responsible for all costs to repair or replace the legacy opacity meter including but not limited to all related shipping costs. For clarity, Parsons will prepay all required shipments described in this Section 6.7 and for billing and payment purposes Parsons will include shipping fees with its charges to Customer for legacy opacity meter repairs and/ or the purchase of a new opacity meter.

If Customer's Eligible Legacy Opacity Meter requires Repair Service, Customer will contact VIC Technical Support for assistance by telephone, tablet video conference or chat and will participate in troubleshooting procedures, as requested by the Parsons Equipment Technical Support Personnel (**Parsons Technical Support Agent** or **Parsons Agent**). Provided Customer has complied in a timely manner with all of its obligations under this Agreement, Parsons will provide opacity meter Repair Services as set out below:

- 6.7.1 Parsons will provide Customer with remote technical support resolution within one (1) Business Day of receipt of Customer's request for support.
- 6.7.2 If Parsons is unable to resolve the issue remotely, a loaner opacity meter will be shipped to the VIC within two (2) Business Days of receipt of Customer's request for support.
- 6.7.3 Customer will use the packaging provided with the loaner opacity meter to package Customer's opacity meter suitably to ensure it will not be further damaged in transit. If Customer fails to use the packaging provided by Parsons, Customer will pay the cost to repair the opacity meter if it is damaged in transit. Parsons will provide shipping labels for printing by Customer. When the packaged Equipment is ready for shipment, Customer will contact the courier who will pick up the package from the VIC and deliver it to Parsons where Parsons will evaluate it and provide a repair quotation for Customer's approval.
- 6.7.4 If Customer approves the repair quotation, Parsons will complete the repair and ship Customer's opacity meter to the VIC, or
- 6.7.5 if Customer does not approve the repair or if Parsons deems Customer's opacity meter to be unrepairable, Customer will purchase new or Refurbished Equipment. If Customer requests return of Customer's unrepaired opacity meter, Parsons shall return it to Customer and Customer shall pay for shipping.

- 6.7.6 Customer will install and activate any repaired/ replaced opacity meter promptly upon receipt and reuse the packaging material provided to package the loaner opacity meter for return to Parsons.
- 6.7.7 Customer is responsible for the cost to repair the loaner opacity meter if loaner is damaged while in VIC's possession or if Customer fails to use the packaging provided by Parsons to ship the loaner opacity meter back to Parsons and the loaner is damaged in transit. If Customer fails to return the loaner opacity meter as required herein within five (5) Business Days of VIC's receipt of Customer's purchased or repaired opacity meter, Customer will be charged the full price of a new opacity meter for the unreturned loaner opacity meter and all reusable shipping containers.

6.8 REPAIR SERVICES: ALL EQUIPMENT (EXCLUDING ELIGIBLE LEGACY OPACITY METERS)

If Customer's Equipment requires Repair Service (excluding legacy opacity meters which are addressed in Section 6.7 "Repair Services: Eligible Legacy Opacity Meters"), Customer will contact VIC Technical Support for assistance by telephone, tablet video conference or chat and will participate in troubleshooting procedures, as requested by the Parsons Agent. Provided Customer has complied in a timely manner with all of its obligations under this Agreement, Parsons will provide Repair Services as set out in Sections 6.8.1 and 6.8.2 below.

- Repair Services and Related Shipping Costs: All shipments required under this section will be performed by Parsons' designated courier service, unless Customer chooses to drop off or pick up the Equipment at Parsons' facility as described in Section 6.11. Parsons will prepay all required courier shipments, and:
- If Customer's Equipment is covered under Warranty, Parsons will pay all shipping costs.
- If Customer's Equipment is not covered under Warranty, Customer will pay all shipping costs, which will be included with Parsons' charges to repair or replace the Equipment.

6.8.1 Tablet Computers

- 6.8.1.1 Parsons will provide Customer with remote technical support resolution within one (1) Business Day of receipt of Customer's request for support.
- 6.8.1.2 If Parsons is unable to resolve the issue remotely, Parsons will provide shipping labels for printing by Customer. Customer will package the Tablet Computer suitably to ensure it will not be further damaged in transit. When the packaged Tablet Computer is ready for shipment, Customer will contact the courier who will pick up the package from the VIC and deliver it to Parsons.
- 6.8.1.3 If Customer's Tablet Computer is covered under Warranty, Parsons will repair or replace Customer's Tablet Computer as applicable and ship it back to the VIC within two (2) Business Days of receipt of Customer's Tablet Computer at no cost to Customer.
- 6.8.1.4 If Customer's Tablet Computer is not covered under Warranty:

- 6.8.1.4.1 Parsons will evaluate it and provide a repair quotation for Customer's approval. Parsons will repair Customer's Tablet Computer and ship it back to the VIC within two (2) Business Days of receiving Customer's approval to proceed with the repair.
- 6.8.1.4.2 If Customer does not approve Parsons' repair quotation, or if Parsons deems Customer's Tablet Computer to be unrepairable, and Customer requires a replacement Tablet Computer, Customer must purchase a new or refurbished Tablet Computer from Parsons.
- 6.8.1.5 Customer will install and activate Customer's repaired/ replaced Tablet Computer promptly upon receipt and dispose of the packaging material as described in Section 6.5 "Customer Vehicle Inspection System Acceptance".
- 6.8.2 **All Other Equipment** (excludes Tablet Computers, legacy opacity meters and legacy opacity meter accessories):
 - 6.8.2.1 Parsons will provide Customer with remote technical support resolution within one (1) Business Day of receipt of Customer's request for support.
 - 6.8.2.2 If Customer's Equipment is covered under Warranty and Parsons is unable to resolve the issue remotely, Replacement Equipment will be shipped to the VIC within two (2) Business Days of receipt of Customer's request for support.
 - 6.8.2.3 If Customer's Equipment is not covered under Warranty and Parsons is unable to resolve the issue remotely, the Parsons Agent will give the VIC the option of (1) ordering the required Replacement Equipment from Parsons, and/ or (2) if applicable, having Parsons authorize its courier to pick up the Equipment and deliver it to Parsons for Parsons to inspect, repair and return the Equipment to Customer.
 - 6.8.2.3.1 If Customer chooses to order the required Replacement Equipment, Parsons will process the order and ship the Replacement Equipment to Customer within two (2) Business Days of receipt of Customer's request for support.
 - 6.8.2.3.2 If Customer chooses to have Parsons repair the Equipment:
 - 6.8.2.3.2.1 Parsons will initiate a service request and authorize a courier to pick up the Equipment from the VIC.
 - 6.8.2.3.2.2 Parsons will provide shipping labels for printing by Customer and Customer will package the Equipment suitably to ensure it will not be damaged in transit.

- 6.8.2.3.2.3 If Customer is sending an out-of-warranty opacity meter to Parsons for servicing, Parsons recommends shipping the unit in a hard shipping container to prevent the opacity meter from being damaged while in transit. If Customer chooses to ship an opacity meter to Parsons without hard packaging, Customer assumes the risk should the Equipment be damaged in transit.
 - 6.8.2.3.2.4 When the packaged Equipment is ready for shipment, Customer will contact the courier who will pick up the package from the VIC and deliver it to Parsons.
 - 6.8.2.3.2.5 Parsons will evaluate the Equipment and provide a repair quotation for Customer's approval.
 - 6.8.2.3.2.6 Parsons will repair Customer's Equipment and ship it back to the VIC within two (2) Business Days of receiving Customer's approval to proceed with the repair.
 - 6.8.2.3.2.7 If Customer elects not to proceed with the repair, or if Parsons deems Customer's Equipment to be unrepairable, and Customer requires Replacement Equipment, Customer must purchase new or Refurbished Equipment from Parsons.
 - 6.8.2.3.2.8 Parsons will collect any fees due under this section as set out in Section 7.2 Terms of Payment.
- 6.8.2.4 Customer will install and activate Customer's repaired/ replaced Equipment promptly upon receipt and keep, reuse or dispose of the packaging material as described in Section 6.5 "Customer Vehicle Inspection System Acceptance".

6.9 DAILY CUT-OFF TIME

Without exception, all orders for Equipment (purchased or provided under Warranty hereunder), Equipment repairs, and Repair Services response times set out in this Agreement are subject to a 3:00PM (eastern) **Daily Cut-off Time**, after which time any order for Equipment, repair quote authorization and/ or any request for Equipment Repair Service is deemed to have been received the following Business Day.

6.10 EQUIPMENT WARRANTIES: OTHER TERMS AND CONDITIONS

All Equipment warranties are subject to the following additional terms and conditions:

- 6.10.1 When Parsons requires Customer to return a failing Component replaced under Warranty, Parsons will provide shipping labels for printing by Customer and

Customer will ship the faulty Component (at Parsons' expense), suitably packaged per Parsons' instructions, within five (5) Business Days of receiving the replacement for the failing Component. Provided Customer follows such instructions, Parsons is responsible for loss of, or damage to, the Component while in transit. If Customer does not return the failed Component to Parsons as required, Customer shall pay Parsons for the failed Component.

- 6.10.2 If Repair Services under Warranty involve the exchange of a faulty VIS Component, the replacement Component becomes the property of Customer at no additional cost, but the item replaced and returned to Parsons shall no longer be the property of Customer. Customer represents and warrants that all returned VIS Components or other items shall be the same as those delivered to Customer.
- 6.10.3 If Parsons provides a VIS Component under Warranty to replace a failing Component and requires Customer to return the failed Component to Parsons as required hereunder, and such Component is then determined to be in Normal Operating Condition or has been damaged due to accident, misuse or abuse by Customer (as more fully detailed in Section 6.16 "Warranty Service Exclusions"), Parsons will notify Customer of this determination by email, including an outline of the nature of the damage that invalidates the Warranty, accompanied by a picture of the damage. In such instances, Customer agrees to reimburse Parsons for the cost of the replacement Component and the cost of shipping the suspect Component to Parsons. Customer understands that Customer then shall own both the new Component shipped to Customer and the original Component returned to Parsons, which shall be returned to Customer at Customer's expense, unless Customer directs otherwise.
- 6.10.4 If Customer disagrees with the finding by Parsons that Customer has damaged the Component causing the Equipment to be disqualified from Warranty coverage, Customer may initiate the dispute resolution process set out in Section 11.0.

6.11 EQUIPMENT REPAIR/ REPLACEMENT: CUSTOMER DROP OFF/ PICK UP

Before 3:00 PM during business hours Monday to Friday, Customer may drop off and/ or pick up Equipment or Components including opacity meters and loaner opacity meters for repair, replacement and/ or return at Parsons' warehouse/ repair centre located at the address provided on the Program Portal, however Customer will contact VIC Technical Support and complete all required diagnostic procedures before returning any item for repair or replacement. For clarity, Parsons cannot guarantee same day repairs and Customer must contact VIC Technical Support to schedule a time prior to visiting the warehouse/ repair centre.

6.12 EQUIPMENT RECEIVED DAMAGED BY CUSTOMER

If Equipment or part thereof provided under Warranty, or purchased from Parsons by Customer hereunder, is received damaged, inoperable or is otherwise faulty upon receipt, Customer must advise VIC Technical Support by email within ten (10) Business Days of receipt. If Customer

fails to do so, such Equipment or part shall be deemed to have been received by Customer in good working order.

6.13 CUSTOMER FAILS TO ACCEPT DELIVERY OF EQUIPMENT SHIPMENT

Delays in receipt of any Equipment caused by Customer's failure to accept delivery at Customer site during Customer's normal hours of operation will result in a delay in Customer's VIS becoming operational. Under such circumstances, Customer will pay any shipping fees required to redeliver the Equipment.

6.14 REPAIR OR REPLACEMENT

Repair or replacement of a faulty Component that restores a Vehicle Inspection System to operating conditions pursuant to the Specifications (**Normal Operating Condition**) shall constitute fulfillment of all Warranty obligations under this Agreement on the part of Parsons. Replacement Components provided herein may not be new but will be in good working order and functionally equivalent or superior to the item replaced. The Warranties set out in this Agreement are in lieu of all other warranties expressed or implied, including without limitation any Warranty of merchantability or fitness of the services for any particular purpose. Equipment, the DriveON System, and/or Repair Services provided hereunder are otherwise provided "as is — with all faults."

6.15 WARRANTY LIMITATIONS

Parsons warrants that the Repair Services provided under Warranty under this Agreement shall be provided in a commercially reasonable manner and shall include only the repair or replacement (at Parsons' sole discretion) of Components of the Vehicle Inspection System in accordance with the Repair Services descriptions and limitations contained herein, accomplished by dispatch of Components to the VIC for installation by Customer and/ or the repair of the Equipment at Parsons warehouse/ repair centre. Parsons gives no warranties of any kind, express or implied, for any goods or services not supplied by Parsons. Any modifications to a Vehicle Inspection System that are not provided by or approved by Parsons or use of a Vehicle Inspection System for anything other than DriveON, shall void all Warranty obligations.

6.16 WARRANTY SERVICE EXCLUSIONS

Warranty coverage on Equipment is subject to the following exclusions:

Equipment lost, stolen, or damaged by losses, vandalism, fire, water, oil, grease, exposure to excessive heat or cold, chemicals (including but not limited to toluene, benzene and xylene), misuse, accident, abuse, unauthorized modification, unsuitable physical or operating environment, improper installation of Replacement Equipment by Customer; operation outside the designated inspection area, maintenance by an unauthorized party; damage to any VIS Component due to the action or inaction of Customer (including but not limited to damage to an opacity meter or rechargeable battery due to Customer's failure to operate and maintain the Equipment in accordance with the manufacturer and/or Parsons/ MTO instructions and to

maintain the Equipment in good working order at all times); damage to Equipment due to operation of computer tablet battery while in overcharged or undercharged condition; failures caused by a product or utility connection for which Parsons is not responsible; installation of, and paying any charges for, internet and/or telephone services; paper and/or Repair Services for any printer not ordered hereunder from Parsons; Equipment with removed or altered Vehicle Inspection System or Component identification labels including date of manufacture codes; service to any computer tablet or rechargeable battery damaged by Customer's use of a tablet charger not provided by Parsons; service of any Equipment or software alterations not authorized by Parsons including but not limited to any installation by Customer of a feature, device, part, option, alteration, component, consumable, software and/or attachment or the like not provided by Parsons (**tampering**). If Customer's Equipment is deemed unsuitable for Warranty coverage under this section, the Equipment must be restored to Normal Operating Condition at Customer's expense to regain Warranty status. In addition, if Customer is found to have tampered with the Equipment, Customer will pay Parsons' inspection and/or diagnostic fee(s) as applicable, calculated in accordance with Section 7.3.2 "Other Service Fees", for any services required to identify the tampering and/or resolve issues associated with Customer's tampering with Equipment.

6.17 SECURITY

Customer agrees that only the VIC Owner (or delegate) and qualified Inspection Technicians will be allowed to use the Vehicle Inspection System (with the exception of prospective technicians using the Vehicle Inspection System in training mode for the purpose of becoming an Inspection Technician). Customer agrees that Customer is responsible for any and all Vehicle Inspection System and/or DriveON System access and security controls and tools (such as passwords and Wi-Fi access), that such controls and tools will not be shared, will be kept secure, and that Equipment will not be left unattended while an authorized user is logged in. Customer will ensure all Inspection Technicians and other VIC staff are aware of and adhere to these requirements.

If Customer's Vehicle Inspection System is stolen or Customer suspects any unauthorized person has gained access to Customer's Vehicle Inspection System or in the event of any security breach that may impact the DriveON System, Customer will notify VIC Technical Support immediately. Customer will cooperate with Parsons to investigate any security breach if requested by Parsons. Parsons shall have sole discretion to disable or suspend any Customer's account for failure to notify the VIC Technical Support team or if the breach jeopardizes the security of DriveON.

7.0 FEES AND PAYMENTS

Parsons will charge Customer Equipment purchase fees and other fees as described below when applicable. All invoices and related payments will be issued/ processed electronically.

Parsons will not issue or mail paper invoices to Customer. Parsons will add all applicable taxes to its fees, as required.

7.1 METHOD OF PAYMENT

Parsons will accept only preauthorized debit transactions (**PAD**) transactions (electronic bank-to-bank transfers) to pay any and all amounts due to Parsons under this Agreement.

PAD Agreement: To facilitate PAD transactions Customer must complete and e-sign Parsons' online PAD Agreement while logged into Customer's DriveON account. The bank account designated by Customer to be used for PAD transactions must be a chequing account and must be sufficiently funded to ensure that PAD transactions to pay for Vehicle Inspection System purchases and/or other Parsons fees are successfully processed by Customer's bank when submitted. Customer must ensure that the designated chequing account information Parsons has on file is updated as required and must sign a new PAD Agreement if the information changes (for example, if Customer changes banks). Customer agrees to waive any transaction processing waiting period requirements that may be imposed by Parsons' bank or Customer's bank.

7.2 TERMS OF PAYMENT

Parsons will process payment in full upon placement of Customer's order or upon Customer's approval of Parsons' Equipment repair quotation, as applicable.

7.3 OTHER FEES

Customer agrees to pay the following fees (if applicable) in accordance with the terms of this Agreement. Unless otherwise indicated, all such fees will be paid as incurred. Taxes are extra, if applicable.

7.3.1 Equipment Repair and/or Component Replacement: If Customer's Equipment is not covered under a Warranty hereunder, or if covered under Warranty and Section 6.16 "Warranty Service Exclusions" applies, Customer will pay all costs to repair the Equipment including shipping. In such instances, replacement Components are priced in accordance with Section 6.1.6, Table 1 "Equipment and Parts Price List" and repair labour (if required) will be charged as set out in Table 2 in Section 7.3.2 below. Parsons will provide a quotation/ invoice to be approved by Customer prior to Customer incurring any repair charges. Payment is due as set out in Section 7.2 "Terms of Payment".

7.3.2 Other service fees: Any billable service, including but not limited to Equipment inspection and/or diagnostic fees payable under Section 6.16 "Warranty Service Exclusions" (if applicable), provided by Parsons during the term of this Agreement that is not specified in the Agreement shall be charged to Customer on a time and materials basis with Components priced in accordance with Section 6.1.6, Table 1 "Equipment and Parts Price List" and labour charges determined as set out in Table 2 below. In all cases Parsons will provide a repair quotation for Customer's approval prior to Customer incurring any repair charges.

Table 2
Equipment Repair Service Rates – Non-Warranty Repair Services

Parsons will charge Customer at the rates below for any non-warranty Equipment Repair Services that require Parsons technician services applicable under Section 7.3.1 “Equipment Repair and/or Component Replacement”. These rates apply to work performed to diagnose, inspect and/ or repair any VIS Equipment and/or Opacity Meters. Labour hours are rounded up to nearest ½ hour for billing purposes. Labour charges are in addition to any required replacement Components or other parts required to complete the repair.

VIS Equipment (including opacity meters)	Time	Price*
Non-warranty service rate	First Half Hour	\$75.00
Non-warranty service rate	Each Additional Half Hour	\$70.00

* Taxes extra, if applicable

7.4 FAULTY PAYMENTS

If Customer’s PAD payment transaction is not accepted/ successfully processed for any reason (**faulty payment**):

- 7.4.1 Parsons will provide notice by email and/ or phone advising Customer of the faulty payment and how to resolve the issue, and
- If Customer’s order has not been shipped, the order will be placed on hold until Customer’s faulty payment transaction has been remedied; and
 - Customer’s Vehicle Inspection System will be locked out. Parsons will unlock it in accordance with Section 7.4.3.
- 7.4.2 Customer must remedy the cause of the faulty payment and advise Parsons when so done and Parsons will resubmit the payment transaction.
- 7.4.3 Parsons will unlock Customer’s Vehicle Inspection System when satisfied Customer has sufficiently remedied the cause of the faulty payment and any outstanding amounts have been collected.
- 7.4.4 Future Equipment Orders (if applicable): If any Customer PAD payment transaction hereunder is/ was faulty as set out in this section for any reason not attributed to Parsons, Parsons may, at Parsons’ sole discretion in each case, require a four (4) Business Day shipping hold be placed on Customer’s future orders to ensure successful processing of Customer’s payment transaction before shipping Customer’s order.
- 7.4.5 If the faulty payment is not remedied within thirty (30) days of the lockout, Parsons may initiate termination of this Agreement under Section 3.2. In addition, Parsons will, at Parsons’ sole discretion, take any steps deemed necessary to collect all amounts owing, including any legal action necessary to recover these cost/fees

plus any associated penalties, assessments, settlement sums, and attorney, consultant, or expert fees.

7.5 DISPUTED AMOUNTS

If Customer disagrees with an item or amount charged by Parsons, Customer may initiate the dispute resolution process detailed in Section 11.0.

Customer shall not withhold, retain or defer payment of any amount due to Parsons by reason of any dispute, counterclaim, or set off that it may allege against Parsons hereunder. If a dispute arises concerning a PAD payment, invoice or other charge, if Customer does not give Parsons written notice (email) of a dispute within ten (10) days from the date of the invoice and/ or charge, such Invoice or other charge shall be deemed correct, undisputed and binding on Customer.

7.6 TAXES

Pricing set out in this Agreement does not include taxes unless so indicated. Parsons will add all applicable taxes as required to all amounts charged to Customer in connection with this Agreement, including, but not limited to, the Harmonized Sales Tax (HST) or Provincial Sales Tax (PST). If Customer is not required to pay sales tax, Customer must provide an appropriate tax exemption certificate. Sales tax will be shown separately when charged and will be paid by Customer to Parsons.

7.7 VEHICLE INSPECTION SYSTEM LOCKOUTS

7.7.1 Parsons Lockout

Customer acknowledges and agrees that Customer's Vehicle Inspection System may be prevented from performing vehicle inspections (**lockout**) as set out in Section 7.4 "Faulty Payments". Customer agrees that said lockout shall not constitute a breach of this Agreement by Parsons and that Parsons is due any and all amounts payable to Parsons by Customer in accordance with the terms of this Agreement.

Customer will advise Parsons when the situation that caused the lockout has been remedied, upon which Parsons will resubmit Customer's PAD transaction and remove the lockout, subject to the terms of Section 7.4 "Faulty Payments".

7.7.2 Provincial Lockout

Customer acknowledges and agrees that Parsons, upon receiving direction to do so by the Province, may lockout Customer's Vehicle Inspection System if Customer violates the terms of Customer's Performance Contract, Program Directive and/ or the Program SOP, including but not limited to Customer's failure to pay the Province fees due thereunder, or if Customer's fee payment to the Province is faulty. Customer agrees that said lockout shall not constitute a breach of the Agreement by Parsons and that Parsons is due any and all amounts payable to Parsons by Customer in accordance with the terms of this Agreement.

Customer's Vehicle Inspection System will be unlocked in accordance with the terms of Customer's Performance Contract, Program Directive and/ or the Program SOP.

8.0 STICKER PRINTER AND CONSUMABLES

If the VIC is accredited to perform HDV Safety Inspections, Customer must purchase an equipment configuration that includes a sticker printer. All sticker printer ribbons, replacement parts and sticker stock used in the sticker printer must be sourced from Parsons. Parsons will:

- Provide sticker printers for purchase by Customer,
- Provide blank Sticker stock at no cost to Customer. Parsons will ship, at no cost to the Customer, valid Sticker stock fulfilment requests within one (1) Business Day of receipt of the fulfillment request. Parsons reserves the right to review and adjust sticker orders as required to ensure consistency with historical volumes and/or the VIC's current inspection volumes as applicable. Customer will be responsible for paying for replacement Sticker stock and shipping costs if the sticker stock is stolen, lost, damaged or otherwise missing, and
- Provide sticker printer ribbons at no cost to Customer. Parsons will ship, at no cost to the Customer, valid sticker printer ribbon fulfilment requests within two (2) Business Days of receipt of the fulfillment request. Parsons reserves the right to review and adjust printer ribbon orders as required to ensure consistency with historical volumes and/or the VIC's current inspection volumes as applicable. Customer will be responsible for paying for replacement sticker printer ribbons and shipping costs if the sticker printer ribbon is stolen, lost, damaged or otherwise missing.

VIC Ceases Operations: If Customer's VIC ceases to operate in the DriveON Program for any reason, Customer will return any blank sticker stock in Customer's possession to Parsons.

OTHER TERMS AND CONDITIONS

9.0 CUSTOMER OBLIGATIONS

Customer shall: (1) Ensure that sufficient information is given to Parsons in sufficient time to enable the Repair Services to be performed, (2) Operate and maintain all Equipment according to procedures provided by the Equipment manufacturer and/or Parsons, including but not limited to, those pertaining to the Tablet Computer, OneOBD, opacity meters, sticker printers and rechargeable Tablet batteries; (3) Operate and/ or store Tablet Computer(s), sticker printer(s), sticker printer ribbons and blank sticker stock in a secure location that is climate controlled; (4) Cooperate fully with Parsons in all matters relating to the performance and administration of this Agreement; (5) Participate in Equipment troubleshooting procedures as directed by Parsons when requested; (6) Participate in the download and installation of designated VIS software update(s) from the DriveON System, in accordance with instructions provided by Parsons if requested; and (7) Perform all

Customer's requirements under this Agreement in accordance with all applicable federal, provincial, and municipal laws, and regulations including but not limited to the Program SOP and Directive.

10.0 LIMITATIONS ON USE

Customer acknowledges and agrees: (1) Vehicle Inspection System purchased hereunder shall be used exclusively for DriveON-related business and for approved functions associated with DriveON and shall not be used for any other commercial, personal, family, or household purpose; (2) to acquire Vehicle Inspection System only for its own use and not for resale, remarketing, or leasing; (3) the VIS is a CLOSED SYSTEM designed to perform ONLY DriveON functions and is not useful for any other non-DriveON purposes; (4) that Customer shall not attempt to open, reverse engineer, deconstruct, decompile, modify, debug or otherwise tamper with the VIS Tablet hardware, software or firmware or to install or have installed on the tablet any software or hardware not provided by Parsons; (5) that Customer is responsible for ensuring that all Equipment is used only in accordance with the terms and conditions of this Agreement and that all DriveON inspections conducted on Customer's Vehicle Inspection System are performed in accordance with Provincial requirements including but not limited to those included in the Program SOP, Program Directive and/ or Customer's Performance Contract.

11.0 DISPUTE RESOLUTION

Should Customer have a complaint relating to the services provided hereunder by Parsons, such as a disagreement pertaining to Parsons' provision of Equipment and/or Warranty services hereunder, an amount charged by Parsons to Customer, or the interpretation of the terms of this Agreement (**dispute**), the parties agree to the following process:

- 11.1 Customer will contact VIC Technical Support by phone, email or web ticket and advise Parsons of the nature of the dispute,
- 11.2 Open a ticket to create a record of the dispute,
- 11.3 Parsons will contact Customer within three (3) Business Days of logging the ticket,
- 11.4 Both Parsons and Customer will make a good faith effort to mutually resolve the dispute as quickly as practicable, however if the dispute has not been resolved within two (2) Business Days of Parsons contacting Customer the matter will be escalated by Parsons to the Ministry,
- 11.5 Parsons will add all Customer initiated dispute data received to the dispute ticket file for Ministry review,
- 11.6 The Ministry will review the information provided in the System and may contact Customer and/ or Parsons to request additional information, seek clarification, and/ or ask additional questions as required to ensure the Ministry has all the information required to arbitrate the dispute,

- 11.7 The Ministry will convey its decision to the parties in writing within ten (10) Business Days, and
- 11.8 The parties agree that the decision of the Ministry will be final and binding on both parties.

12.0 LIMITATION OF LIABILITY; INDEMNIFICATION OF PARSONS BY USER

Neither party is responsible to the other for failure to fulfill any obligation under this Agreement due to a cause(s) beyond the non-performing party's control (a **"Force Majeure" event**) as defined herein.

Parsons is not liable to Customer for any event of delayed performance, or complete or partial non-performance, resulting directly or indirectly from Customer's failure to comply with any of its obligations hereunder. Parsons does not warrant uninterrupted or error-free operation of the DriveON System, Vehicle Inspection System or of any other product or Services hereunder or that Parsons will correct all defects. The liability of Parsons in respect of any claim whatsoever (including, without limitation, claims based on breach of Warranty, breach of contract, negligence or strict liability in tort) for loss, damage or expense of any nature and howsoever arising hereunder shall in no circumstances exceed a total aggregate sum equal to the amount paid hereunder by Customer for the twelve (12) months prior to the date of the claim. Parsons shall have no liability for any indirect, incidental or consequential damages or loss (including, without limitation, loss of profits, loss of use, and loss of goodwill, economic or special damages).

In the event of any claim, Customer will provide Parsons with written notice of the facts alleged to justify such claim within thirty (30) days of their discovery by Customer. Parsons shall not be liable for any claim for loss, damage or expense unless suit is brought within two (2) years from the date of performance by Parsons of the Service which gives rise to the claim.

Parsons does not assume any of Customer's risks associated with Customer's participation in DriveON or Customer's use of the DriveON System and/or Vehicle Inspection System, nor does it provide any form of insurance or guarantee to Customer in this regard. To protect itself against damage or loss, Customer should consult their insurance provider.

Customer shall hold harmless and indemnify Parsons and its directors, officers, employees, agents or subcontractors against all claims (actual or threatened) by any third party for loss, damage or expense of whatsoever nature arising from the actions or inactions of the Province and/or Customer and any of their respective personnel, Inspection Technicians, operators, agents, representatives and/or subcontractors, including all legal expenses and related costs, howsoever arising. Such claims may include, but are not limited to, any personal or bodily injury to, or death of, any person, including the Province (and its officers, directors, employees, and agents) and any member of the public, caused by or resulting from Customer's performance or non-performance under this Agreement or Customer's operation of the VIC.

13.0 CONFIDENTIAL PROGRAM INFORMATION; INDEMNIFICATION

Confidential Program Information includes any and all information provided or otherwise disclosed to Customer by, or on behalf of, Parsons in any form or otherwise collected by Customer in any manner as a result of Customer's participation in DriveON, including, but not limited to, motorist information, DriveON inspection procedures, and/ or the results of DriveON inspections. For clarity, confidential Program information includes, but is not limited to, any and all personally identifiable information of the public. Customer shall maintain in strict confidence, and shall not disclose to any third party, any confidential Program information observed by or disclosed to it pursuant to this Agreement. Customer shall safeguard the confidential and proprietary nature of the confidential Program information with at least the same degree of care as it holds its own confidential or proprietary information of like kind, which shall be no less than a reasonable degree of care.

Indemnification: Customer acknowledges and agrees that any and all confidential Program information provided or disclosed by Parsons in any form, or otherwise collected by Customer in the process of performing DriveON inspections and/or related vehicle repairs (if applicable) is the sole and exclusive property of the Province and is to be used solely for the purpose of enabling Customer's participation in DriveON. Customer agrees that all confidential Program information will be used solely for such purposes and will not otherwise disclosed. Customer will ensure that all of Customer's employees involved in providing DriveON services are aware of, and abide by, this requirement. Customer hereby agrees to indemnify and save harmless the Province and Parsons and its officers, directors, employees, and agents from and against any claim, demand, damage, loss, expense (including all costs incurred as a result of), or cause of action of any nature resulting from or relating to Customer's failure to maintain the confidentiality of confidential Program information.

The provisions of this Section 13.0 shall survive the termination or expiration of this Agreement for a period of 10 years.

14.0 PRIVACY POLICY FOR CAMERAS

Customer will follow all Program SOP, Program Directive and/ or Performance Contract requirements concerning the use of cameras and recorded images and videos, including but not limited to, the authorized uses of cameras in the Program and the posting of the required of the sign(s) provided by the Province to alert the VIC's customers of their presence. Customer will ensure only certified Inspection Technicians access the Vehicle Inspection System and that all such personnel are aware of and adhere to the Program SOP, Program Directive and/ or Performance Contract requirements.

15.0 INTELLECTUAL PROPERTY

Customer acknowledges and agrees that Parsons is the licensor of the rights to the Intellectual Property relating to the VIS software (**Parsons Property**). Parsons hereby grants to Customer a non-assignable, non-transferable, nonexclusive right to use Parsons Property supplied to it solely to the extent necessary to enable Customer to use the

Vehicle Inspection System and participate in DriveON during the term of this Agreement. Customer's licence shall automatically terminate upon termination or expiration of this Agreement or may be terminated immediately by Parsons in the event of Customer breach. Customer shall not acquire any other right, title, or interest in or to the Parsons Property. Customer acknowledges and agrees that it will not: (a) copy, backup, or reproduce the VIS Software, or make or permit additional installations of the VIS Software for any purpose; (b) merge the VIS Software with any other software; (c) translate, adapt, vary, or modify the VIS Software; (d) copy or reproduce the VIS Software or any of the provided materials for any purpose; (e) assign this Agreement or transfer, loan, share, lease, rent, export, sell, grant a sublicense to any other party, assign, distribute, publish, charge, pledge, encumber, commercially exploit, or otherwise deal with the VIS Software, or have any software written or developed that is based on or derived from the VIS Software, unless expressly authorized by the Licensor in writing; (f) reverse engineer, decompile or disassemble the VIS Software, or otherwise attempt to derive the source code of the VIS Software; (g) use the VIS Software except as authorized herein; (h) remove any proprietary notices, labels or marks from the VIS Software; and/or (i) permit third parties to use the VIS Software in any way that would constitute a breach of this Agreement.

16.0 PUBLICITY

Customer agrees not to use or publicize the name (including trademark or logo), or identify as a supplier, Parsons, its subcontractors, suppliers or vendors in any advertising or promotion without Parsons's prior written consent in each instance.

17.0 CUSTOMER INFORMATION

Customer will provide and maintain as current all Customer/VIC information required under this Agreement and stored on the DriveON System including, but not limited to, VIC address, Customer's billing address, bank information, site contact and billing contact information. Changes to Customer/ VIC information can only be made by Customer's authorized representative(s) while logged into their DriveON account.

Customer agrees to allow Parsons (including its agents, representatives, suppliers, and subcontractors) to securely store Customer/VIC contact information, such as names, phone numbers, bank account information and email addresses and to use such information solely as it relates to this Agreement or under any other agreement with Parsons or for purposes of DriveON, or to communicate with Customer as required regarding the Vehicle Inspection System and/or DriveON.

18.0 NOTICES

Any notice required to be given hereunder shall be in writing and shall be deemed to have been sufficiently given if provided by email or facsimile. Recipient shall provide acknowledgement of receipt if requested by sender. If delivered to Customer, the notice shall be sent to the attention of Customer at the email address (or facsimile number) set out in the Customer contact information stored in the DriveON System and maintained by Customer. If delivered to Parsons, the notice shall be sent to the attention of Program

Manager at the email address (or facsimile number) set out by Parsons on the Program Portal.

19.0 GOVERNING LAW

A. The validity, interpretation, and performance of this Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario applicable therein without regard to the principles of conflicts of law.

B. All actions and proceedings under this Agreement not covered by Section 11.0 Dispute Resolution shall be brought exclusively in the Ontario courts located in the Greater Toronto area. The parties hereby waive (i) any objection that it may have at any time to the venue of the proceedings in any such court, (ii) any claim that such proceedings have been brought in an inconvenient forum, and (iii) the right to object, with respect to such proceedings, that such court does not have any jurisdiction over such party.

20.0 ASSIGNMENT

Customer shall not assign any of its rights, nor shall it delegate or subcontract any of its duties and obligations under this Agreement without the prior written consent of Parsons, which may be withheld at its discretion.

21.0 FORCE MAJEURE

Neither party shall be liable for any failure to perform or any delays in performance, and shall be deemed not to be in breach or default of its obligations set forth in this Agreement, if, to the extent and for so long as such failure or delay is due to any causes that are beyond its reasonable control including, without limitation, such causes as intervening act of God or public enemy, war, terrorism, blockade, civil commotion, fire, flood, tidal wave, earthquake, epidemic, pandemic, quarantine restriction, a stop-work order or injunction issued by a court or public authority having jurisdiction, governmental embargo, work stoppages due to labor disputes, cable cuts, acts of the local telephone exchange company or Customer's internet service provider, courier service delays, or acts of any other third party not under the parties' reasonable control, all or any of which delays the performance of any obligation created by this Agreement beyond its scheduled time (**Force Majeure Event**). If Parsons is unable to perform all or part of the services for any cause whatsoever outside Parsons's control, including a Force Majeure Event, or if Customer fails to comply with any of its obligations hereunder, Parsons shall nevertheless be entitled to payment for all services rendered and other fees incurred hereunder.

22.0 SEVERABILITY

If and solely to the extent that any court or tribunal of competent jurisdiction holds any provision of this Agreement to be unenforceable in a final non-appealable order, such unenforceable provision shall be stricken, and the remainder of this Agreement shall not be affected thereby. In such event, the parties shall in good faith attempt to replace any unenforceable provision of this Agreement with a provision that is enforceable and that comes as close as possible to expressing the intention of the original provision.

23.0 ENTIRE AGREEMENT

This Agreement, including all of terms and conditions contained herein, together with its Appendices and any attachments and amendments hereto, constitutes the entire agreement with respect to its subject matter and merges and supersedes all prior discussions and writings with respect to thereto. There are no warranties, representations or understandings made in connection with this Agreement or contemporaneous with the execution hereof, except as set forth in this Agreement.

No modification or alteration of this Agreement or any Appendices or attachments hereto shall be binding upon the parties unless contained in a writing signed by a duly authorized agent for each respective party and specifically referring hereto or thereto.

Execution of Agreement

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date Customer's online DriveON Enrollment Application is approved and this Agreement has been signed by both parties (**Effective Date**). The parties acknowledge and agree that this Agreement will be signed electronically, and that said electronic signatures will be equally binding and have the same effect as if the Agreement had been signed by hand.

FOR CUSTOMER:

Legal Name of Business	<input type="checkbox"/> Corporation
	<input type="checkbox"/> Sole Proprietor
Registered Business Name (<i>DBA Name</i>)	
Street Address	
Town/ City/ Province	Postal Code
Mailing Address Same as above <input type="checkbox"/>	
Town/ City/ Province	Postal Code
Telephone Number	Fax Number
Email Address	

Electronic Signature - Customer

Name of Person Electronically Signing this Agreement

Title of Person Electronically Signing this Agreement

The person named above must have the authority to bind Customer

- By clicking on this box, I confirm that I have the authority to bind Customer.
- By clicking on this box, I confirm that I have read this Agreement, understand and accept its terms and conditions and that I am signing the Agreement on behalf of Customer.

Electronic Signature - Parsons Inc.

By: _____

Name: _____

Authorized Representative

Appendix 1 Definitions

As used in this Agreement, the following terms shall have the meanings set forth below.

Accreditation: means the series of tasks an applicant must complete prior to entering a Performance Contract with the Province to become a Vehicle Inspection Centre; “Accredited” shall have a corresponding meaning.

AIC: means **Annual Inspection Certificate** which is the Certificate issued to a truck or trailer that passes a Safety Inspection and Emissions Inspection (if required on diesel).

Business Day: means any working day, Monday to Friday inclusive, but excluding statutory and other holidays, namely: New Year’s Day; Family Day; Good Friday; Easter Monday; Victoria Day; Canada Day; Civic Holiday; Labour Day; Thanksgiving Day; Remembrance Day; Christmas Day; Boxing Day and any other day which the Province has elected to be closed for business.

Components: means the individual parts of a Vehicle Inspection System, for example the Tablet Computer.

Customer: see “Vehicle Inspection Centre Owner”.

Daily Cut-off Time: means 3:00PM eastern time, the time after which any order for Equipment, repair quote authorization and/ or any request for Equipment service is deemed to have been received the following Business Day.

DriveON Program, DriveON or Program: means Ontario’s integrated vehicle safety and emissions inspection program, including any changes made to the Program from time to time.

DriveON System or System: means the technology solution required to operate and support the DriveON Program.

Eligible Legacy Opacity Meter: means a Dieseltune DX270 opacity meter utilized by an emissions station participating in the Province’s legacy MECP Ontario Heavy Duty Emissions Testing Program as described in Section 6.1.1.

Eligible Legacy Opacity Meter Accessories: means accessory equipment used with a Dieseltune DX270 or DX240 opacity meter by an emissions station participating in the Province’s legacy MECP Ontario Heavy Duty Emissions Testing Program and that is eligible to be transitioned into the Program as detailed in Section 6.1.1 (DX270 accessories) and Section 6.1.2 (DX240 accessories).

Emissions Inspection is outlined in the Directive, Schedule 1 and pertains to the Opacity Test and/or OBD Test required for Commercial Heavy Diesel Vehicles.

Enrollment Application: means an online application and supporting documentation submitted by Customer, the approval of which will enable Customer’s participation in the DriveON Program. Details are provided on the Program portal.

Equipment: means a Vehicle Inspection System or Components that are part of a Vehicle Inspection System.

Expiry Date: means May 26, 2028, or if the original term is extended, the final date of the extended term.

Inspection means a Safety Inspection of a vehicle by a Technician operating from an accredited Vehicle Inspection Centre using National Safety Code Standard 11, Part B and modifications to NSC11B specified in the Directive, Schedule 2 as the prescribed standards to issue AICs with Stickers, SAICs with Stickers, and SSCs for HDVs; or pursuant to the Directive, Schedule 3 to issue SSCs for LDVs; or pursuant to the Directive, Schedule 4 to issue SSCs for Motorcycles.

Inspection Technician: for definition, refer to the Program Directive.

Intellectual Property: means any intellectual, industrial or other proprietary right of any type in any form protected or protectable under the laws of Canada, any foreign country, or any political subdivision of any country, including, without limitation, any intellectual, industrial or proprietary rights protected or protectable by legislation, by common law or at equity.

Invoice: means an electronic receipt provided by Parsons upon Customer placing/ paying for an order, listing the equipment or services purchased and price paid.

Ministry, MTO or the Province: means His Majesty the King in right of Ontario, as represented by the Minister of Transportation, their agents or service delivery successors.

Normal Operating Condition: means Equipment that functions in accordance with the Provincially approved specifications of the physical, operational, and performance features of Vehicle Inspection System.

On-Board Diagnostic or OBD: means a computer-controlled vehicle information system for monitoring selected parameters within the vehicle electronic engine management and emissions control systems to detect their deterioration and/or failure and store an appropriate Diagnostic Trouble Code (**DTC**) for later retrieval and illuminate the instrument cluster mounted malfunction indicator lamp (**MIL**) to alert the driver of system deterioration or failure.

OneConnect: see “Opacity Meter Wireless Communications Device”

OneOBD: A device capable of communicating with a vehicle through a gateway or directly on the vehicle BUS as it is defined by SAE J1979 or SAE J1939.

Opacity Meter Wireless Communications Device or OneConnect: A wireless transmitter interface device required to equip opacity meters for wireless operation for use in DriveON.

PAD Agreement: means an online agreement signed VIC owner/ delegate to authorize PAD transactions (bank-to-bank transfers) to pay amounts due to Parsons under this Agreement.

Parsons Technical Support Agent or Parsons Agent: means Parsons personnel who interact with Vehicle Inspections Centres and the Ministry, in person, by telephone, by chat, or by email as a technical representative of the Program.

Performance Contract: means the contract between the Province and the Vehicle Inspection Centre, which details the respective obligations of the two parties in performing Inspection services.

Person or person: any natural person, entity, corporation, general partnership, limited partnership, proprietorship, other business organization, trust, union, association or governmental authority.

Personal Information: means recorded information about an identifiable individual or that may identify an individual.

Preauthorized Debit or **PAD**: means a pre-authorized bank to bank transfer used to remit amounts due from one party to the other under this Agreement.

Program: see “DriveON Program”.

Program Directive: means the document authored by the Ministry pursuant to Section 100.7 of the Highway Traffic Act that specifies the Inspection procedures and equipment and performance standards for issuance of safety standards certificates, annual/semi-annual inspection certificates with stickers and emissions inspection certificates.

Program Portal or **portal**: the online gateway used to access the DriveON System and services.

Program Standard Operating Procedures or **Program SOP**: means the document authored by the Ministry that specifies the rules that must be followed by Vehicle Inspection Centres and Technicians when conducting DriveON Inspections.

Provincial Specifications: see “Specification(s)”.

Readiness Requirements: means prerequisites Customer must complete to prepare for activation of Vehicle Inspection System as described on the Program portal.

Refurbished Equipment: means VIS hardware, Components or parts that has been previously used and repaired by the hardware manufacturer or Parsons.

Repair Services: means the Equipment repair services provided by Parsons under the terms and conditions set out in this Agreement. Repair Services are free of charge to Customer when their Equipment is covered under a Warranty; Customer pays for Repair Services provided hereunder for Equipment that is not covered under a Warranty.

Repair Services Warranty: see “Warranty”.

Replacement Equipment: means new or refurbished VIS hardware, Components or parts.

Ruggedized Tablet Computer or **Tablet Computer**: means a ruggedized mobile device equipped to Provincial Specifications as defined herein.

SSC: means **Safety Standard Certificate** which is the Certificate issued to a vehicle that has completed a Safety Inspection, and where applicable, an Emissions Inspection, in accordance with the inspection standards in the Directive and meets the required equipment and performance standards with a pass result that certifies it is fit to be plated for on road use.

SAE: means the “Society of Automotive Engineers”.

SAIC: means **Semi-Annual Inspection Certificate** which is the Certificate issued to buses, Accessible Vehicles, School Purposes Vehicles and U10 Vehicles that pass a Safety Inspection and Emissions Inspection (if required on diesel). SAICs are not required for personal use buses with a GVWR of 4500 kg or less.

Specification(s), specification, Equipment Specification, or Provincial Specification(s): means documentation approved by the Province that describes all aspects of the vehicle Inspection Equipment hardware and software functionality, including the physical, operational, and performance features of Vehicle Inspection System and the DriveON System.

Sticker: means a vehicle specific decal that is generated by the Vehicle Inspection System application and specialized sticker printer that will be applied to the vehicle that was Inspected and passed the Safety Inspection.

Tablet Computer: see “Ruggedized Tablet Computer”.

Term: means the period of time from the Effective Date up to and including the earlier of: (i) the Expiry Date or (ii) the date of termination of the Contract in accordance with its terms.

Vehicle Inspection Centre or VIC: means a facility accredited by the Ministry to perform DriveON Inspections in accordance with the terms of their Performance Contract.

Vehicle Inspection Report or VIR: means the document issued by a Vehicle Inspection Centre following a vehicle Inspection that contains the vehicle emissions and/or safety equipment and performance standards information collected on the date the document was issued.

Vehicle Inspection Centre Owner, VIC Owner, Customer or Owner means the owner of the Vehicle Inspection Centre and/or a delegate appointed by the owner to act on the owner’s behalf with sufficient authority to bind the owner in matters pertaining to this Agreement.

Vehicle Inspection System or VIS: means a Ministry approved inspection hardware and software configuration that meets Program Specifications to inspect vehicles.

VIS: see “Vehicle Inspection System”.

Warranty: means a warranty provided to Customer free of charge with the purchase of new Equipment or Refurbished Equipment and/ or on Equipment repaired by Parsons at Customer’s expense hereunder.

The definitions in this Appendix 1 shall apply equally to both the singular and plural forms of the terms defined. As used in this Agreement, (1) the words “include,” “includes,” and “including” shall be deemed to be followed by the phrase “without limitation”; (2) the words “hereof,” “herein,” “hereby” and derivatives or similar words refer to this entire Agreement; (3) all references to Sections shall be deemed references to sections of this Agreement, and all references to Appendices shall be deemed references to Appendices to this Agreement, unless the context shall otherwise require; and (iv) whenever this Agreement refers to a number of days, such number shall refer to calendar days unless otherwise specified.

--- End of Appendix 1---

Appendix 2

Retirement, Transfer or Sale of VIS Equipment

Customer may retire a Vehicle Inspection System purchased hereunder from DriveON service or sell or otherwise transfer said VIS to another Person; however, all such retirements, transfers or sales must be coordinated through Parsons. Customer must complete and submit an Equipment Withdrawal Form available on the Program Portal before attempting to sell, transfer or retire Equipment.

- 1.0 General terms and conditions: retirement, transfer, or sale of Equipment:
 - 1.1 If Customer retires from service, sells or otherwise transfers Equipment, this Agreement and the services provided hereunder are not transferable but shall remain in force for the remaining Vehicle Inspection System(s) situated at Customer's VIC. If the VIC has no remaining Vehicle Inspection System(s), this Agreement shall terminate in accordance with Section 3.5 "Term of Agreement",
 - 1.2 Prior to any retirement, transfer or sale, Customer will perform a data file refresh to upload all offline inspections performed that have not been uploaded from the Vehicle Inspection System to the DriveON System.
 - 1.3 If Customer's Tablet Computer(s) will be no longer used in in the Program for any reason, Customer will allow Parsons (at Parsons' sole discretion) to remove and/ or disable any or all Program related software. Customer consents to allow, and will cooperate as needed to facilitate, Parsons performing this task remotely, if so requested.
- 2.0 Transfer or Sale of Vehicle Inspection Systems:
 - 2.1 Customer may transfer Equipment to another facility owned by Customer. As all Vehicle Inspection Systems are linked to a specific inspection facility in the DriveON System, Customer must coordinate any such transfer through Parsons.
 - 2.2 Customer may sell Equipment to another DriveON participant for continued use in the Program, subject to the following terms and conditions:
 - 2.2.1 The purchaser/ recipient of Equipment (**Transferee**) is (or will be) a DriveON-accredited Vehicle Inspection Centre with DriveON agreements in place with Parsons and the Province,
 - 2.2.2 The Equipment must have been purchased from Parsons during DriveON by a DriveON participant or be an Eligible Legacy Opacity Meter transitioned into the Program by a legacy emissions station,
 - 2.2.3 Equipment warranties are not transferrable,
 - 2.2.4 Transferee assumes all risk associated with its purchase transaction with the Equipment seller.

--- End of Appendix 2 ---

--- End of EPMA ---

Pre-Authorized Debit (PAD) Agreement
between Customer as Payor and
Parsons Inc. (**Parsons**) as Payee

1. Customer Information

Legal Name of Business Entity:	
Business Number:	
Street Address:	
City / Municipality:	Postal Code:
Email:	
Telephone Number:	

2. Customer Financial Institution and Account Information

Name:	
Address:	
Postal Code:	
Phone Number:	
Transit Number:	
Institution No.	
Account Number:	

3. Pre-Authorized Debit (PAD) Terms and Conditions

1. Scope

Customer acknowledges that this Authorization is provided for the benefit of Parsons and Customer's Financial Institution and is provided in consideration of Customer's Financial Institution agreeing to process debits against the Customer's account as indicated in accordance with the rules of the Canadian Payments Association (CPA). [Our Systems & Rules | Payments Canada](http://www.payments.ca/our-systems-rules) at www.payments.ca/our-systems-rules.

2. Validity of Authority

Customer warrants and guarantees to Parsons that all persons whose signatures are required to sign on this account have authorized this agreement and such authorization is in a form that constitutes proper authority for Customer's Financial

Institution to debit Customer's account.

3. **Authority to Debit Account and PAD Purpose**

Customer and Parsons have entered into an Equipment Purchase and Maintenance Agreement (**EPMA**) to facilitate Customer's participation in the Ontario Ministry of Transportation Integrated Vehicle Safety and Emissions Inspection Program (**IVSEIP**). Customer hereby authorizes Parsons to draw on Customer's account with Customer's Financial Institution specified above for the purpose of collecting amounts due to Parsons under the EPMA as follows:

Customer agrees to pay Parsons for IVSEIP equipment, equipment repairs and/ or other products or services purchased by Customer or otherwise incurred in accordance with Customer's EPMA. All amounts payable under the EPMA are due upon placement of Customer's order, upon Customer approval of Parsons' repair quotation and/or as set forth in the EPMA, as applicable.

Customer acknowledges that the PADs authorized under this Agreement are Business PADs.

4. **Nature, Amount and Timing of PAD**

The amounts of the PADs made under this Agreement may be variable and the PADs will be debited as charges are incurred. The amount debited will be determined as follows:

- the price of IVSEIP equipment and/ or other products purchased, and/ or repairs performed, priced as established in the EPMA and set out in an invoice or approved repair quotation; plus,
- any outstanding amounts owing to Parsons that have yet to be collected.

5. **Changes to Agreement/ Cancellation of Agreement**

Customer may make changes to the account information in this Agreement by changing their information in the Program Inspection Centre Administration Application (**ICAA**) on the Portal, thereby creating a new PAD Agreement with the updated account information for signature (electronically) by Customer. The new Agreement will be effective on the next PAD file creation following the change in information.

Customer may cancel this Agreement at any time by delivering written notice to Parsons. The cancellation of the Agreement will be effective within 5 business days of such delivery. The cancellation of this Agreement will cancel all existing pre-arranged PAD payment schedules and will also initiate a lockout on the Inspection Equipment, which will prevent Customer from providing Inspections. This PAD Agreement applies only to the method of payment and does not otherwise have any bearing on the payment obligations of Customer to Parsons. To obtain a sample cancellation form, or for more information on the right to cancel a PAD Agreement, contact your financial institution or visit www.payments.ca.

6. **Acceptance of Delivery of Authorization**

Customer acknowledges that providing and delivering this agreement to Parsons constitutes delivery by it to Customer's Financial Institution. Any delivery of this authorization to Parsons constitutes delivery by Customer.

7. **Waiver of Pre-notification**

Customer understands that no pre-notification shall be required prior to a PAD being exchanged or cleared and Customer hereby expressly agrees to waive any requirement for pre-notification.

Customer authorizes and instructs Parsons to represent, without pre-notification, a dishonoured PAD transaction.

8. Validation by Processing Institution

Customer acknowledges that the Processing Financial Institution is not required to verify that a PAD has been issued in accordance with the particulars of Customer's PAD Agreement including, but not limited to, the amount.

Customer acknowledges that the Processing Financial Institution is not required to verify that any purpose of payment for which the PAD was issued has been fulfilled by Parsons as a condition to honouring a PAD issued or caused to be issued by Parsons on Customer's account.

9. Recourse Statement

Customer has certain recourse rights if any debit does not comply with this PAD agreement. For example, Customer has the right to receive reimbursement for any PAD that is not authorized or is not consistent with the terms of the PAD Agreement. To obtain more information on recourse rights, Customers may contact their financial institution or visit www.payments.ca.

A PAD may be disputed by Customer under the following conditions:

- (i) the PAD was not drawn in accordance with Customer's PAD Agreement;
or
- (ii) Customer's PAD Agreement was revoked or cancelled.

In order to be reimbursed, Customer acknowledges that a declaration to the effect that either (i) or (ii) took place must be completed and presented to the above indicated branch of Customer's Financial Institution holding Customer's account up to and including ten (10) business days, after the date on which the debit in dispute was posted to Customer's account.

Customer acknowledges that a claim on the basis that Customer's PAD Agreement was revoked or cancelled, or for any other reason, is a matter to be resolved solely between Parsons and Customer when disputing any PAD after ten (10) business days.

10. Disclosure of Information Consent

Customer consents to the disclosure of any personal information that may be contained on this PAD Agreement to the Financial Institution at which Parsons maintains its account to be credited with the PADs as far as any such disclosure of personal information is directly related to and necessary for the proper application of Rule H1 of the CPA at www.payments.ca/sites/default/files/h1eng.pdf.

11. Customer Acceptance

Customer acknowledges that it has read, understands, and accepts the terms and conditions of this Agreement.

12. Parsons Contact Information

Customer may contact Parsons regarding this PAD Agreement or any PAD transaction processed hereunder as follows:

Vehicle Inspection Centre Technical Support
Parsons Inc.
625 Cochrane Drive, Suite 300,
Markham, Ontario L3R 9R9
Email: Available on the Program Portal
Phone: 1-833-420-2110

4. Acknowledgment

Customer acknowledges and agrees that its execution of this PAD Agreement shall give effect to each deposit of funds as if Customer had provided original authorized signatures in respect of each such deposit.

EXECUTED on behalf of Customer at _____ on the _____ day of
(City/Town)

_____, _____
(Month)

Print Name

Owner _____
Title

I have authority to bind Customer.

By checking on this box, I confirm that I have Authority to bind Customer.

By checking on this box, I confirm that I have read this Agreement and that I am signing this Agreement on behalf of Customer.



London
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July 8, 2024

Dear Colleagues,

As members of Council who travelled to Calgary for the Federation of Canadian Municipalities annual conference (June 6-9, 2024), we wanted to provide you with an update and some key takeaways. The conference was the largest ever held, with over 3,000 delegates, during an emergency water advisory. Despite this setback, Mayor Gondek and Calgary were exceptional hosts and there was a lot of good information shared over the few days. Here are some key learnings from Team London for your consideration and discussion.

Key Takeaways:

Municipal Growth Framework

- A common discussion topic with all the political keynotes and in many workshops and plenary sessions was a new municipal growth framework required to provide municipalities with the funding they need to succeed.
- Every political speaker was asked if they would move the MGF requests forward, and most agreed. Many speakers indicated that the provinces will need to come to the table to discuss this as well, so possibly a discussion with AMO is needed to ensure alignment with the MGF.
- FCM has released an updated report on the MGF which you can [read here](#).

Workshops & Study Tours

- Councillor Franke attended the “*Tipi, IndigiTrail and Bird Sanctuary Study Tour*” to learn how Calgary is working on their reconciliation efforts. As well, she attended the “*Shifting to resilient, net-zero communities: Leveraging the Green Municipal Fund*” and learned about programs from Bridgewater, NS on energy poverty, the local district energy systems from Richmond, BC and the funding opportunities for these projects. She also attended a workshop on “*Exploring innovative models of mental health crisis response*” to learn how other cities are offering crisis outreach programs (similar to London Cares outreach). Councillor Franke intends to bring forward more reports and suggestions based on this knowledge.

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London Representation at FCM

As you are all likely aware, Mayor Morgan has become the Chair of the Big City's Mayor Caucus for FCM. You can read more information about his successful election [here](#).

Councillor Franke was also re-elected to the Ontario Caucus for the Board of Directors and will continue to bring the London and Southwestern Ontario voice to Board meetings. If you have any resolutions that would have a federal impact, please connect with Councillor Franke to work it through the FCM Resolution process and seek support from other municipalities.

Relevant Approved Resolutions:

Harassment of Elected Officials

- In recent years, there has been an alarming rise in incidents of harassment, intimidation and acts of violence aimed at elected local government officials, compounding the already strenuous work conditions faced by many local leaders and hindering their retention; and
- all elected officials have an ability to show leadership on this issue by modeling behaviour, and should always strive to elevate debate, embrace differences of opinion, disagree respectfully and focus on issues of policy and substance; now therefore be it
- That the federal government, work with provinces, territories, and local governments, including through FCM, to identify and implement measures to protect elected local government officials, their family members, and staff – especially women, members of Black and racialized communities, and 2SLGBTQIA+ individuals, persons with disabilities, and Indigenous people – from harassment, intimidation, and threats, thereby reinforcing a unified front to safeguard democracy; and be it further
- That FCM calls on all elected officials of all orders of government to lead by example, demonstrating civility and mutual respect for their political counterparts.

Federal Support for Food Banks

- FCM calls on the Federal Government to help address the food insecurity crisis by providing emergency funding to food banks, food rescue agencies, and farmers markets providing emergency food assistance, and recognize the systemic issues involved in food bank usage, including affordability, inequality, core housing need and insufficient social supports, in order to end food insecurity.



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Enhancing Shelter Supports for Women and Survivors of Intimate Partner Violence

- That FCM calls on the federal government to create a permanent fund, open to local governments and community organizations, for the construction of shelters and transitional housing for women and survivors of intimate partner violence, including housing appropriate for Indigenous, 2SLGBTQIA+ people, and persons with disabilities, with a dedicated rural, remote, and Northern (RRN) stream; and
- That FCM calls on the federal government to work with the provinces and territories to provide permanent operational funding, open to local governments and community organizations, for shelters, transitional housing, and supportive housing for women and survivors of intimate partner violence, including Indigenous, 2SLGBTQIA+ people, and persons with disabilities.

Thank you for your support for London's advocacy role at the federal level,

Skylar Franke
Ward 11 City Councillor

Josh Morgan
Mayor