

The Corporation of the City of Sault Ste. Marie  
Regular Meeting of City Council  
Revised Agenda

Monday, June 17, 2019

4:30 pm

Council Chambers

Civic Centre

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	Pages
<b>1.</b>	<b>Adoption of Minutes</b>
	11 - 26
	Mover Councillor S. Hollingsworth
	Seconder Councillor C. Gardi
	Resolved that the Minutes of the Regular Council Meeting of 2019 06 03 be approved.
<b>2.</b>	<b>Questions and Information Arising Out of the Minutes and not Otherwise on the Agenda</b>
<b>3.</b>	<b>Declaration of Pecuniary Interest</b>
<b>3.1</b>	<b><i>Councillor S. Hollingsworth - Audit and Accountability Fund</i></b>
<b>3.2</b>	<b><i>Councillor S. Hollingsworth - 2018 Audited Financial Statements</i></b>
<b>4.</b>	<b>Approve Agenda as Presented</b>
	Mover Councillor S. Hollingsworth
	Seconder Councillor M. Scott
	Resolved that the Agenda for 2019 06 17 City Council Meeting as presented be approved.
<b>5.</b>	<b>Proclamations/Delegations</b>
<b>5.1</b>	<b>World Refugee Day</b>
	Megan Douglas and Jane Omollo

<b>5.2</b>	<b>Canadian Multiculturalism Day</b>	
	Sean Halliday, Research Assistant, Local Immigration Partnership	
<b>5.3</b>	<b>The Green Team</b>	
	Tayte Nowak and members of the Green Team	
<b>5.4</b>	<b>PUC Inc.</b>	
	Andy McPhee, Vice Chair and Rob Brewer, President & CEO	
<b>6.</b>	<b>Communications and Routine Reports of City Departments, Boards and Committees – Consent Agenda</b>	
	Mover Councillor S. Hollingsworth	
	Seconder Councillor C. Gardi	
	Resolved that all the items listed under date 2019 06 17 – Agenda item 6 – Consent Agenda be approved as recommended save and except Agenda items 6.3 and 6.4.	
<b>6.1</b>	<b>Rotaryfest 2019</b>	27 - 27
	Correspondence from Rotary Club of Sault Ste. Marie is attached for the consideration of Council.	
	The relevant By-law 2019-136 is listed under item 11 of the Agenda and will be read with all by-laws under that item.	
<b>6.2</b>	<b>Algoma Docks Project</b>	28 - 30
	A report of the Chief Administrative Officer is attached for the consideration of Council.	
	Mover Councillor S. Hollingsworth	
	Seconder Councillor M. Scott	
	Resolved that the report of the Chief Administrative Officer dated 2019 06 17 regarding an amendment to the FedNor and NOHFC Port of Algoma contribution agreements be approved and that staff seek an extension of the funding agreements with NOHFC and FedNor from June 30, 2019 to December 31, 2019.	
<b>6.3</b>	<b>Audit and Accountability Fund</b>	31 - 34
	A report of the Chief Administrative Officer is attached for the consideration of Council.	
	Mover Councillor L. Dufour	
	Seconder Councillor C. Gardi	
	Resolved that the report of the Chief Administrative Officer dated 2019 06 17 regarding Audit and Accountability Fund be received and that an expression of interest to access the Audit and Accountability Fund be provided to the Province;	

further that the increased scope of work be single sourced to KPMG LLP to be fully funded through Audit and Accountability Fund.

6.4

**2018 Audited Financial Statements**

35 - 74

A report of the Manager of Audits and Capital Planning is attached for the consideration of Council.

Mover Councillor L. Dufour

Seconder Councillor M. Scott

Resolved that the report of the Manager of Audits and Capital Planning dated 2019 06 17 concerning 2018 Audited Financial Statements be received and that the audited Consolidated Financial Statements and Trust Fund Statements for 2018 be approved.

6.5

**2019 Reserve and Reserve Fund Policy Update**

75 - 83

A report of the Chief Financial Officer and Treasurer is attached for the consideration of Council.

Mover Councillor S. Hollingsworth

Seconder Councillor M. Scott

Resolved that the report of the Chief Financial Officer and Treasurer dated 2019 06 17 be received and the following recommendations be approved:

1. The Reserve and Reserve Fund Policy as presented (Appendix A) be approved.
2. The reserve transfers (Appendix B) be approved.

6.6

**RFP – Unified Communication System (Telephony)**

84 - 86

A report of the Manager of Purchasing is attached for the consideration of Council.

Mover Councillor S. Hollingsworth

Seconder Councillor C. Gardi

Resolved that the report of the Manager of Purchasing dated 2019 06 17 regarding RFP – Unified Communication System (Telephony) be received and that the proposal submitted by Shaw Telecom of Calgary, AB for the provision of a Unified Communication System (Telephony) for use by City be approved for a five-year period commencing in the fall of 2019 and that staff be authorized to provide a Letter of Intent formally authorizing Shaw Telecom to proceed with this project;

Further that staff be authorized to continue the existing Centrex Contract on a month to month basis and cancel it along with the existing megalink contracts when no longer needed.

A by-law authorizing signature of an agreement for this project will appear on a future Council Agenda.

6.7

**RFP – On-Demand Transit Technology System**

87 - 90

A report of the Manager of Purchasing is attached for the consideration of Council.

Mover Councillor S. Hollingsworth

Seconder Councillor M. Scott

Resolved that the report of the Manager of Purchasing dated 2019 06 17 regarding RFP – On-Demand Transit Technology System be received and that the proposal submitted by Via Mobility, LLC to undertake the provision of an On-Demand Transit Technology System for use by the Transit Division of Community Development and Enterprise Services be approved for a one-year Pilot Project with the option to extend for up to three (3) additional years by mutual agreement.

A by-law authorizing signature of an agreement for this project will appear on a future Council Agenda.

**6.8 RFP – Professional Services – Asset Management Assessment 2019**

91 - 93

A report of the Manager of Purchasing is attached for the consideration of Council.

Mover Councillor S. Hollingsworth

Seconder Councillor C. Gardi

Resolved that the report of the Manager of Purchasing dated 2019 06 17 regarding RFP – Professional Services – Asset Management Assessment 2019 be received and the proposal submitted by Morrison Hershfield Ltd. for the Asset Management Assessment 2019 Update for the City of Sault Ste. Marie be approved on a single source basis.

A by-law authorizing signature of an Agreement to perform the Assessment will appear on a future Council Agenda.

**6.9 RFQ – Traffic Control Equipment – Bay Street Improvements**

94 - 95

A report of the Manager of Purchasing is attached for the consideration of Council.

Mover Councillor S. Hollingsworth

Seconder Councillor M. Scott

Resolved that the report of the Manager of Purchasing dated 2019 06 13 regarding RFQ – Traffic Control Equipment – Bay Street Improvements be received that the supply and delivery of traffic control equipment for installation on Bay Street, at a quoted price of \$154,681.95 plus HST, by Econolite Canada of Markham, ON be approved on a sole source basis.

**6.10 Tender for Boiler Replacement – RESC Building**

96 - 98

A report of the Manager of Purchasing is attached for the consideration of Council.

The relevant By-law 2019-135 is listed under item 11 of the Agenda and will be read with all by-laws under that item.

**6.11 Tender for One (1) Vacuum Body Jet Rodding Sewer Cleaning Tandem Axle Truck**

99 - 101

A report of the Manager of Purchasing is attached for the consideration of Council.

Mover Councillor S. Hollingsworth

Seconder Councillor C. Gardi

Resolved that the report of the Manager of Purchasing dated 2019 06 17 be received and the tender for the supply and delivery of One (1) vacuum body jet rodding sewer cleaning tandem axle truck as required by Public Works, be awarded to TMS Truck Centre at their total tendered price of \$541,472.00 plus HST after the trade-in allowance is applied be approved.

**6.12**

**Beverage Pouring Contract – Updated Legal Entity Name Change**

102 - 103

A report of the Director of Community Services is attached for the consideration of Council.

The relevant By-law 2019-125 is listed under item 11 of the Agenda and will be read with all by-laws under that item.

**6.13**

**St. Marys Paper Office Building – Proposed Amendment of Designating By-Law 83-60**

104 - 108

A report of the Manager of Recreation and Culture is attached for the consideration of Council.

Mover Councillor S. Hollingsworth

Seconder Councillor M. Scott

Resolved that the report of the Manager of Recreation and Culture dated 2019 06 17 concerning St. Marys Paper Office Building – Proposed Amendment of Designating By-Law 83-60 be received and that the recommendation of the Sault Ste. Marie Municipal Heritage Committee to allow the relocation of the wrought iron fire escape to the Machine Shop be approved; further that the 30 day notification period which is required to amend the designating by-law 83-60 begin.

**6.14**

**Active Transportation Infrastructure Implementation – Update to Traffic By-law 77-200**

109 - 112

A report of the Senior Planner is attached for the consideration of Council.

Mover Councillor S. Hollingsworth

Seconder Councillor C. Gardi

Resolved that the report of the Senior Planner dated 2019 06 17 be received and that the Legal Department be directed to bring forward the appropriate by-law amendments at a later date.

**6.15**

**By-Law Enforcement Officer, Property Standards Inspector**

113 - 114

A report of the Chief Building Official is attached for the consideration of Council.

The relevant By-law 2019-137 is listed under item 11 of the Agenda and will be read with all by-laws under that item.

**6.16**

**Miscellaneous Paving – Contract 2019-9E**

115 - 118

A report of the Manager of the Design and Transportation Engineering is attached for the consideration of Council.

The relevant By-law 2019-138 is listed under item 11 of the Agenda and will be read with all by-laws under that item.

**6.17**

**Concrete Curb and Sidewalk Program – 2019**

119 - 124

A report of the Director of Public Works is attached for the consideration of Council.

Mover Councillor S. Hollingsworth

Seconder Councillor C. Gardi

Resolved that the report of the Director of Public Works dated 2019 06 17 concerning the Public Works 2019 curb and sidewalk program be received as information.

**6.18**

**White Oak Drive – Parking Prohibitions**

125 - 126

A report of the Manager of Traffic and Communications is attached for the consideration of Council.

Mover Councillor S. Hollingsworth

Seconder Councillor M. Scott

Resolved the report of the Manager of Traffic and Communications dated 2019 06 17 concerning White Oak Drive – Parking Prohibitions be received and that the Legal Department be directed to draft the appropriate by-law modifications to By-law 77-200 Schedule-A to be brought back to Council at a later date.

**6.19**

**Community Art Project – Bruce Street Parking Lot Closure Request**

127 - 129

A report of the Deputy CAO, Community Development and Enterprise Services is attached for the consideration of Council.

*Mover Councillor S. Hollingsworth*

*Seconder Councillor C. Gardi*

Resolved that the report of the Deputy CAO, Community Development and Enterprise Services dated 2019 06 17 concerning Community Art Project – Bruce Street Parking Lot Closure Request be approved.

**7.**

**Reports of City Departments, Boards and Committees**

**7.1**

**Administration**

**7.2**

**Corporate Services**

**7.3**

**Community Development and Enterprise Services**

**7.4**

**Public Works and Engineering Services**

7.5	<b>Fire Services</b>	
7.6	<b>Legal</b>	
7.7	<b>Planning</b>	
7.8	<b>Boards and Committees</b>	
7.8.1	<b>PUC Inc. and PUC Services Inc. Shareholders Meeting</b>	
7.8.1.1	<b>Resolution to Appoint Mayor Provenzano as Proxy</b>	
	Mover Councillor S. Hollingsworth	
	Seconder Councillor C. Gardi	
	Resolved that City Council is now authorized to meet in open session as the sole shareholder of PUC Inc. and PUC Services Inc.; and	
	Further Be It Resolved that City Council appoints Mayor Christian Provenzano as Council's proxy to vote on the resolutions of the shareholder of PUC Inc. and PUC Services Inc.	
7.8.1.2	<b>PUC Inc. and PUC Services Inc. Shareholder Resolutions</b>	130 - 131
7.8.1.3	<b>PUC Financial Statements</b>	132 - 227
8.	<b>Unfinished Business, Notice of Motions and Resolutions Placed on Agenda by Members of Council</b>	
8.1	<b>Knowledge-Based Industry Recruitment Task Force</b>	
	Mover Councillor L. Dufour	
	Seconder Councillor M. Scott	
	Whereas the collective missions of the Innovation Centre, the Sault Ste. Marie Economic Development Corporation and Future SSM all include attracting new business to our community; and	
	Whereas the modern workforce is changing in terms of corporations allowing flexible and remote work agreements, especially in knowledge-based industry; and	
	Whereas findings from a 2017 global survey of over 24,000 workers by Polycom Inc. reported that the vast majority of respondents (98%) agree that an anywhere working approach boosts productivity, as people can choose to work where they are most efficient; and	
	Whereas the survey also revealed that 62% of the global working population is working flexibly – more than ever before; and	
	Whereas there are over 400,000 people working in the Technology Industry in Toronto and there are 1,800 technology based companies located in Toronto; and	

Whereas growing our business community helps grow a healthy community;

Now Therefore Be It Resolved that the City request that the Innovation Centre, the Sault Ste. Marie Economic Development Corporation and Future SSM set up a task force to develop a targeted recruitment plan to attract and retain remote workers in the knowledge-based industry from the Greater Toronto area to locate to our community.

**9. Committee of the Whole for the Purpose of Such Matters as are Referred to it by the Council by Resolution**

**10. Adoption of Report of the Committee of the Whole**

**11. Consideration and Passing of By-laws**

Mover Councillor S. Hollingsworth

Seconder Councillor M. Scott

Resolved that all By-laws under item 11 of the Agenda under date 2019 06 17 be approved.

**11.1 By-laws before Council to be passed which do not require more than a simple majority**

**11.1.1 By-law 2019-115 (Agreement) Bell Mobility (Cell Phones)** 228 - 238

Council report was passed by Council resolution on May 21, 2019.

Mover Councillor S. Hollingsworth

Seconder Councillor M. Scott

Resolved that By-law 2019-115 being a by-law to authorize the execution of the Agreement between the City and Bell Mobility Inc. for a cellular service contract be passed in open Council this 17th day of June, 2019.

**11.1.2 By-law 2019-125 (Agreement) Molson Pouring Rights** 239 - 285

A report from the Director of Community Services is on the Agenda.

Mover Councillor S. Hollingsworth

Seconder Councillor M. Scott

Resolved that By-law 2019-125 being a by-law to authorize the execution of the Agreement between the City and Molson Canada 2005 for the exclusive beer pouring rights for the Essar Centre be passed in open Council this 17th day of June, 2019.

**11.1.3 By-law 2019-135 (Agreement) Boiler Replacement-RESC Building** 286 - 319

A report from the Manager of Purchasing is on the Agenda.

Mover Councillor S. Hollingsworth

Seconder Councillor M. Scott  
Resolved that By-law 2019-135 being a By-law to authorize the execution of the Agreement between the City and R.F. Contracting Inc. for the Boiler Replacement at the RESC Building as required by Fire Services be passed in open Council this 17th day of June, 2019.

11.1.4	<b>By-law 2019-136 (Licensing) Rotaryfest</b>	320 - 322
	Mover Councillor S. Hollingsworth Seconder Councillor M. Scott Resolved that By-law 2019-136 being a by-law to prohibit vendors from locating on or near the grounds of Rotaryfest 2019 be passed in open Council this 17th day of June, 2019.	
11.1.5	<b>By-law 2019-137 (Appointment) By-law Enforcement Officer/Inspector</b>	323 - 324
	A report from the Chief Building Official is on the Agenda.  Mover Councillor S. Hollingsworth Seconder Councillor M. Scott Resolved that By-law 2019-137 being a by-law to appoint Inspectors under the <i>Building Code Act, 1992</i> and Municipal Law Enforcement Officers under the <i>Police Services Act</i> be passed in open Council this 17th day of June, 2019.	
11.1.6	<b>By-law 2019-138 (Agreement) Miscellaneous Paving Contract 2019-9E</b>	325 - 327
	A report from the Manager of Design and Transportation Engineering is on the Agenda.  Mover Councillor S. Hollingsworth Seconder Councillor M. Scott Resolved that By-law 2019-138 being a by-law to authorize the execution of the Contract between the City and Ellwood Robinson Inc. for supplying all materials, labour and equipment necessary for the resurfacing of Allen's Side Road from Second Line West to Base Line, Queen Street from Lorna Drive to Kerr Drive, Pim Street from Summit Avenue to MacDonald Avenue, Manitou Drive from McNabb Street to Anna Street and Surface Treatment of various locations within the municipality of Sault Ste. Marie (Contract 2019-9E) be passed in open Council this 17th day of June, 2019.	
11.1.7	<b>By-law 2019-141</b>	
11.2	<b>By-laws before Council for FIRST and SECOND reading which do not require more than a simple majority</b>	
11.3	<b>By-laws before Council for THIRD reading which do not require more than a simple majority</b>	

**12. Questions By, New Business From, or Addresses by Members of Council Concerning Matters Not Otherwise on the Agenda**

**13. Closed Session**

Mover Councillor S. Hollingsworth

Seconder Councillor M. Scott

Resolved that this Council proceed into closed session to discuss proposed acquisition of property.

Further Be It Resolved that should the said closed session be adjourned, the Council may reconvene in closed session to continue to discuss the same matter without the need for a further authorizing resolution.

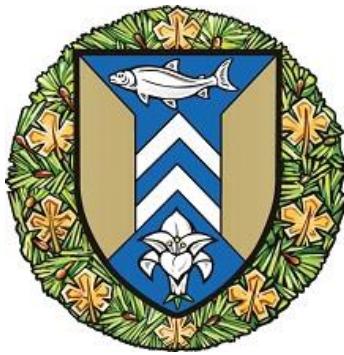
*Municipal Act section 239(2)(c) proposed or pending acquisition or disposition of land.*

**14. Adjournment**

Mover Councillor S. Hollingsworth

Seconder Councillor C. Gardi

Resolved that this Council now adjourn.



## REGULAR MEETING OF CITY COUNCIL MINUTES

Monday, June 3, 2019

4:30 pm

Council Chambers  
Civic Centre

Present: Mayor C. Provenzano, Councillor P. Christian, Councillor S. Hollingsworth, Councillor L. Vezeau-Allen, Councillor D. Hilsinger, Councillor M. Shoemaker, Councillor M. Bruni, Councillor R. Niro, Councillor C. Gardi, Councillor M. Scott

Absent: Councillor L. Dufour

Officials: A. Horsman, M. White, T. Vair, L. Girardi, P. Johnson, K. Fields, S. Schell, D. Elliott, B. Lamming, V. McLeod, C. Rumeil

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### 1. Adoption of Minutes

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that the Minutes of the Regular Council Meeting of 2019 05 21 be approved.

**Carried**

2. Questions and Information Arising Out of the Minutes and not Otherwise on the Agenda
3. Declaration of Pecuniary Interest
- 3.1 Councillor M. Shoemaker – PUC Inc. Acquisition

PUC is a client of law firm.

**4. Approve Agenda as Presented**

Moved by: Councillor P. Christian

Seconded by: Councillor M. Scott

Resolved that the Agenda and Addendum for 2019 06 03 City Council Meeting as presented be approved.

**Carried**

**5. Proclamations/Delegations**

**5.1 Queen Street Cruise Committee**

Joe Bisceglia, Gary Trembinski and Josh Ingram were in attendance.

**5.2 World Elder Abuse Awareness Day**

Sandra Greef, Chair, Seniors' Rights Protection Council of Sault Ste. Marie and Area was in attendance.

**5.3 Asset Management Policy**

Peter Simcisko, Manager, Watson & Associates Economists Ltd. was in attendance.

**5.4 Historic Sites Board Annual Report**

Kathy Fisher, Curator, Ermatinger-Clergue National Historic Site was in attendance.

**5.5 June is Recreation and Parks Month**

Virginia McLeod, Manager of Recreation and Culture was in attendance.

**5.6 PUC Inc. Acquisition**

Councillor M. Shoemaker declared a conflict on this item. (PUC is a client of law firm.)

Rob Brewer, President & CEO, PUC Services Inc. was in attendance.

**6. Communications and Routine Reports of City Departments, Boards and Committees – Consent Agenda**

Moved by: Councillor S. Hollingsworth

Seconded by: Councillor C. Gardi

Resolved that all the items listed under date 2019 06 03 – Agenda item 6 – Consent Agenda and Addendum be approved as recommended, save and except 6.5.

Majority	For	Against	Absent
Mayor C. Provenzano			X
Councillor P. Christian	X		
Councillor S. Hollingsworth	X		
Councillor L. Dufour			X
Councillor L. Vezeau-Allen	X		
Councillor D. Hilsinger	X		
Councillor M. Shoemaker	X		
Councillor M. Bruni	X		
Councillor R. Niro	X		
Councillor C. Gardi	X		
Councillor M. Scott	X		
<b>Results</b>	<b>9</b>	<b>0</b>	<b>2</b>

**Carried**

**6.1 Korah Collegiate Relay for Life – June 13 and 14, 2019**

The relevant By-law 2019-134 is listed under item 11 of the Minutes.

**6.2 Community Museum Operating Grant Application**

The report of the Curator, Ermatinger-Clergue National Historic Site was received by Council.

The relevant By-law 2019-113 is listed under item 11 of the Minutes.

**6.3 Firearms By-law Exemptions – Ermatinger-Clergue National Historic Site**

The report of the Curator, Ermatinger-Clergue National Historic Site was received by Council.

The relevant By-law 2019-114 is listed under item 11 of the Minutes.

**6.4 Municipal By-Law Enforcement Officers**

The report of the Manager of Transit and Parking was received by Council.

The relevant By-law 2019-124 is listed under item 11 of the Minutes.

**6.6 Landfill Operations and Monitoring 2018 – Environmental Monitoring Committee**

The report of the Land Development and Environmental Engineer was received by Council.

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that the report of the Land Development and Environmental Engineer dated 2019 06 03 concerning annual operations and monitoring reports for the municipal landfill be received as information.

**Carried**

**6.7 Ditching Program – 2019**

The report of the Director of Public Works was received by Council.

Moved by: Councillor P. Christian

Seconded by: Councillor M. Scott

Resolved that the report of the Director of Public Works dated 2019 06 03 concerning Public Works 2019 Ditching Program be received as information.

**Carried**

**6.8 Fox Run Subdivision (Part Lot Control)**

The report of the Assistant City Solicitor/Senior Litigation Counsel was received by Council.

The relevant By-law 2019-126 is listed under item 11 of the Minutes.

**6.9 Licence to Occupy City Property – Outspoken Brewing Inc.**

The report of the Assistant City Solicitor/Senior Litigation Counsel was received by Council.

The relevant By-laws 2019-127 and 2019-128 are listed under item 11 of the Minutes.

**6.10 Deeming By-law – Des Chene Park Subdivision “A” (221 Sunnyside Beach Road)**

The report of the Solicitor/Prosecutor was received by Council.

The relevant By-law 2019-121 is listed under item 11 of the Minutes.

**6.11 Deeming By-law – Des Chene Park Subdivision (209 Sunnyside Beach Road)**

The report of the Solicitor/Prosecutor was received by Council.

The relevant By-law 2019-120 is listed under item 11 of the Minutes.

**6.12 Correspondence**

**6.5 Asset Management Policy**

The report of the Director of Engineering was received by Council.

Moved by: Councillor S. Hollingsworth

Seconded by: Councillor M. Scott

Resolved that the report of the Director of Engineering dated 2019 06 03 concerning the Strategic Asset Management policy be received and that the policy be approved.

**Carried**

**7. Reports of City Departments, Boards and Committees**

**7.1 Administration**

**7.2 Corporate Services**

**7.3 Community Development and Enterprise Services**

**7.4 Public Works and Engineering Services**

**7.4.1 Bay Street Improvements**

The report of the Manager of Design and Transportation Engineering was received by Council.

The relevant By-laws 2019-132 and 2019-133 are listed under item 11 of the Minutes.

Moved by: Councillor S. Hollingsworth

Seconded by: Councillor C. Gardi

Resolved that the report of the Manager of Design and Transportation Engineering dated 2019 06 03 concerning Bay Street Improvements be received and that Contract 2019-6E be awarded to Pioneer Construction Inc.;

Further that the reduced scope of work described in this report be removed from the contract in order to reduce cost;

Further that the engineering fee limit for Kresin Engineering previously approved be increased from \$477,650 to \$580,000;

Further that the PUC be sole-sourced for the associated electrical relocations and street lighting upgrades;

And that \$1,900,000 of the Special 2019 Gas Tax funds originally allocated to the Downtown Initiative and \$600,000 originally allocated to resurfacing projects be redirected to the Bay Street project.

<b>Majority</b>	<b>For</b>	<b>Against</b>	<b>Absent</b>	
Mayor C. Provenzano	X			
Councillor P. Christian		X		
Councillor S. Hollingsworth	X			
Councillor L. Dufour			X	
Councillor L. Vezeau-Allen	X			
Councillor D. Hilsinger	X			
Councillor M. Shoemaker		X		
Councillor M. Bruni	X			
Councillor R. Niro	X			
Councillor C. Gardi	X			
Councillor M. Scott		X		
<b>Results</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>Carried</b>

**7.5 Fire Services**

**7.6 Legal**

**7.7 Planning**

**7.8 Boards and Committees**

**8. Unfinished Business, Notice of Motions and Resolutions Placed on Agenda by Members of Council**

**8.1 Employee Parking**

Moved by: Councillor M. Shoemaker

Seconded by: Councillor M. Bruni

Whereas in June 2017 Council requested that staff review paid parking options for municipal staff; and

Whereas in May 2018 staff reported on various options for paid parking options for municipal staff; and

Whereas a system for paid parking options for municipal staff could not be agreed upon at that time; and

Whereas the City of Sault Ste. Marie remains one of the few public institutions within Sault Ste. Marie that does not charge for employee parking;

Now Therefore Be It Resolved that Council strike a sub-committee to review the report of May 2018 and further study the issue of paid parking for municipal staff, and come to Council with a recommendation for paid parking for municipal staff;

Further Be It Resolved that the said committee consist of Councillor M. Shoemaker, Councillor M. Bruni, a representative of the C.A.O's office, a representative from Corporate Services, a representative from Community Development and Enterprise Services, a representative from one of the City's larger bargaining units and a community member from the public at large.

<b>Majority</b>	<b>For</b>	<b>Against</b>	<b>Absent</b>
Mayor C. Provenzano			X
Councillor P. Christian		X	
Councillor S. Hollingsworth		X	
Councillor L. Dufour			X
Councillor L. Vezeau-Allen		X	
Councillor D. Hilsinger		X	
Councillor M. Shoemaker	X		
Councillor M. Bruni	X		
Councillor R. Niro		X	
Councillor C. Gardi		X	
Councillor M. Scott	X		
<b>Results</b>	<b>3</b>	<b>6</b>	<b>2</b>
			<b>Defeated</b>

## **8.2 Property Standards / Yard Maintenance / Sewer By-law Enforcement**

Moved by: Councillor L. Vezeau-Allen

Seconded by: Councillor R. Niro

Whereas at its 2019 01 28 meeting, Council accepted as information a report concerning property standards and yard maintenance by-law enforcement which outlined various means of reducing the amount of time for properties to reach compliance; and

Whereas the 2019 budget included increased funding for a second By-Law Enforcement Inspector to increase compliance; and,

Whereas there is a need to increase enforcement efforts related to the sewer use by-law and drainage agreements; and,

Whereas there continues to be a strong direction by Council to improve the effectiveness of property standards, yard maintenance, sewer use and drainage by-law enforcement efforts across the City;

Now Therefore Be It Resolved that a task force including Councillors Dufour, Niro and Vezeau-Allen, as well as representatives from Legal, Public Works, Engineering and Building Division staff be formed to review the property standards, yard maintenance, sewer use by-laws, and drainage agreements, and compare with best practices in order to obtain improved and timely compliance, and report back to Council with recommendations.

<b>Majority</b>	<b>For</b>	<b>Against</b>	<b>Absent</b>
Mayor C. Provenzano			X
Councillor P. Christian	X		
Councillor S. Hollingsworth	X		
Councillor L. Dufour			X
Councillor L. Vezeau-Allen	X		
Councillor D. Hilsinger	X		
Councillor M. Shoemaker	X		
Councillor M. Bruni	X		
Councillor R. Niro	X		
Councillor C. Gardi	X		
Councillor M. Scott	X		
<b>Results</b>	<b>9</b>	<b>0</b>	<b>2</b>
			<b>Carried</b>

### **8.3 Fan-Friendly Pricing – GFL Memorial Gardens**

Moved by: Councillor M. Shoemaker

Seconded by: Councillor P. Christian

Whereas balancing the cost of concessions must always strike a balance between satisfying fans and turning a profit for the concession stands; and

Whereas a recent trend in major league sports has been to implement fan-friendly pricing on the most popular menu items available at sporting events; and

Whereas fan-friendly pricing at major league sports venues across North America has resulted in increased revenue because it has increased the sale of concessions at major sporting events;

Now Therefore Be It Resolved that staff be requested to investigate and report to Council regarding the implementation of fan-friendly pricing at the GFL Memorial Gardens for the 2019-2020 Soo Greyhound Season, and, if it is proposed that a fan-friendly menu be implemented, that a review be conducted after said season to determine the success of the fan-friendly pricing.

<b>Majority</b>	<b>For</b>	<b>Against</b>	<b>Absent</b>	
Mayor C. Provenzano			X	
Councillor P. Christian	X			
Councillor S. Hollingsworth	X			
Councillor L. Dufour			X	
Councillor L. Vezeau-Allen	X			
Councillor D. Hilsinger	X			
Councillor M. Shoemaker	X			
Councillor M. Bruni	X			
Councillor R. Niro	X			
Councillor C. Gardi	X			
Councillor M. Scott	X			
<b>Results</b>	<b>9</b>	<b>0</b>	<b>2</b>	<b>Carried</b>

- 9. Committee of the Whole for the Purpose of Such Matters as are Referred to it by the Council by Resolution**

- 10. Adoption of Report of the Committee of the Whole**

**11. Consideration and Passing of By-laws**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that all By-laws under item 11 of the Agenda under date 2019 06 03 be approved.

<b>Majority</b>	<b>For</b>	<b>Against</b>	<b>Absent</b>
Mayor C. Provenzano			X
Councillor P. Christian	X		
Councillor S. Hollingsworth	X		
Councillor L. Dufour			X
Councillor L. Vezeau-Allen	X		
Councillor D. Hilsinger	X		
Councillor M. Shoemaker	X		
Councillor M. Bruni	X		
Councillor R. Niro	X		
Councillor C. Gardi	X		
Councillor M. Scott	X		
<b>Results</b>	<b>9</b>	<b>0</b>	<b>2</b>

**Carried**

**11.1 By-laws before Council to be passed which do not require more than a simple majority**

**11.1.1 By-law 2019-113 (Agreement) Community Museums Operating Grant**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-113 being a By-law to authorize the approval for the annual Community Museums Operating Grant (CMOG) Ministry of Culture, through Grants Ontario be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.1.2 By-law 2019-114 (Regulations) Firearms and Noise Exemptions**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-114 being a By-law to exempt the Ermatinger-Clergue National Historic Site, from By-law 2008-168 being a firearms by-law to prohibit the discharge of firearms in the municipality and from By-law 80-200 being a by-law respecting noises in the City of Sault Ste. Marie be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.1.3 By-law 2019-120 (Subdivision Control) Des Chene Park**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-120 being a by-law to deem not registered for purposes of subdivision control certain lots in the Des Chene Park Subdivision, pursuant to section 50(4) of the *Planning Act* be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.1.4 By-law 2019-121 (Subdivision Control) Des Chene Park "A"**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-121 being a by-law to deem not registered for purposes of subdivision control certain lots in the Des Chene Park "A" Subdivision pursuant to section 50(4) of the *Planning Act* be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.1.5 By-law 2019-124 (Parking) Municipal By-law Enforcement Officers**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-124 being a By-law to appoint by-law enforcement officers to enforce the by-laws of The Corporation of the City of Sault Ste. Marie be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.1.6 By-law 2019-126 (Part Lot Control) Fox Run Subdivision**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-126 being a by-law to amend By-law 2013-95 to extend the time period specified for the expiration of the by-law as provided in Section 4 of by-law 2013-95 so as to continue to designate Lots 1 to 24 inclusive, Plan 1M589 in the Fox Run Subdivision, Phase I, Sault Ste. Marie as an area not subject to part lot control be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.1.7 By-law 2019-127 (Delegation) OutSpoken Delegation**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-127 being a by-law to delegate to the Assistant City Solicitor/Senior Litigation Counsel, or his/her designate to enter into Amending Agreements if so requested, between the City, OutSpoken Brewing Inc. and a Third Party (as applicable) for the OutSpoken Patio located on the laneway adjaced to OutSpoken's property located at 360 Queen Street East be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.1.8 By-law 2019-128 (Agreement) Vera Pizza OutSpoken Brewery**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-128 being a by-law to authorize the execution of the Agreement between the City, Vera Pizza and OutSpoken Brewing Inc. to permit a pizza oven and accompanying structures on the OutSpoken patio located on City property, specifically a laneway adjacent to OutSpoken's property located at 360 Queen Street East and thereafter prepare and serve pizza on same be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.1.9 By-law 2019-129 (Zoning) 726 Wellington Street West**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-129 being a by-law to amend Sault Ste. Marie Zoning By-laws 2005-150 and 2005-151 concerning lands located at 726 Wellington Street West (BDI Holdings Inc. c/o Brandon Stubbs) be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.1.10 By-law 2019-130 (Delegation) Electrical Safety Authority Contractor License**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-130 being a by-law to delegate to the Director of Public Works, or his/her delegate to be identified as a Director of the Corporation on the application for the Electrical Safety Authority ("ESA") Contractor License Application and to thereafter have signing authority on behalf of the City of Sault Ste. Marie with regard to the ESA Contractor License agreement and renewals be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.1.11 By-law 2019-132 (Agreement) Contract 2019-6E**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-132 being a by-law to authorize the execution of the Contract between the City and Pioneer Construction Inc. for the reconstruction of Bay Street from Andrew Street to Pim Street (Contract 2019-6E) be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.1.12 By-law 2019-133 (Temporary Street Closing) Bay Street**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-133 being a by-law to permit the intermittent partial road closure of Bay Street between Andrew Street and Pim Street from June 4, 2019 to October 31, 2019 to facilitate the partial reconstruction and resurfacing of Bay Street between Andrew Street and Pim Street be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.1.13 By-law 2019-134 (Regulations) Korah Relay for Life Noise Exemption**

Moved by: Councillor P. Christian

Seconded by: Councillor C. Gardi

Resolved that By-law 2019-134 being a by-law to amend Noise Control By-law 80-200 dealing with the exemption from the Noise Control By-law to accommodate a fundraising event held by the Korah Relay for Life team from 7:00 p.m. on June 13, 2019 to 7:00 a.m. on June 14, 2019 be passed in open Council this 3rd day of June, 2019.

**Carried**

**11.2 By-laws before Council for FIRST and SECOND reading which do not require more than a simple majority**

**11.3 By-laws before Council for THIRD reading which do not require more than a simple majority**

**12. Questions By, New Business From, or Addresses by Members of Council Concerning Matters Not Otherwise on the Agenda**

**13. Closed Session**

Moved by: Councillor P. Christian

Seconded by: Councillor M. Scott

Resolved that this Council proceed into closed session to discuss two items subject to solicitor-client privilege;

Further Be It Resolved that should the said closed session be adjourned, the Council may reconvene in closed session to continue to discuss the same matter without the need for a further authorizing resolution.

*Municipal Act section 239(2)(f) advice that is subject to solicitor-client privilege, including communications necessary for that purpose*

<b>Majority</b>	<b>For</b>	<b>Against</b>	<b>Absent</b>
Mayor C. Provenzano			X
Councillor P. Christian	X		
Councillor S. Hollingsworth	X		
Councillor L. Dufour			X
Councillor L. Vezeau-Allen	X		

Councillor D. Hilsinger	X			
Councillor M. Shoemaker	X			
Councillor M. Bruni	X			
Councillor R. Niro	X			
Councillor C. Gardi	X			
Councillor M. Scott	X			
<b>Results</b>	<b>9</b>	<b>0</b>	<b>2</b>	
				<b>Carried</b>

**14. Adjournment**

Moved by: Councillor S. Hollingsworth

Seconded by: Councillor M. Scott

Resolved that this Council now adjourn.

<b>Majority</b>	<b>For</b>	<b>Against</b>	<b>Absent</b>	
Mayor C. Provenzano			X	
Councillor P. Christian	X			
Councillor S. Hollingsworth	X			
Councillor L. Dufour			X	
Councillor L. Vezeau-Allen	X			
Councillor D. Hilsinger	X			
Councillor M. Shoemaker	X			
Councillor M. Bruni	X			
Councillor R. Niro	X			
Councillor C. Gardi	X			
Councillor M. Scott	X			
<b>Results</b>	<b>9</b>	<b>0</b>	<b>2</b>	
				<b>Carried</b>

---

Mayor

---

City Clerk



Mayor Provenzano and Council  
The Corporation of the City of Sault Ste. Marie  
99 Foster Drive  
Sault Ste. Marie, ON  
P6A 5N1

April 15, 2019

Dear Mayor Provenzano and Councilors:

The Rotary Club of Sault Ste. Marie would like to request the following pertaining to the operation of ROTARYFEST 2019 for July 18 - 20, 2019.

A) Use of

1. Clergue and Rowswell Parks for July 13-21,
2. the Civic Centre north green space from July 13 – 21 for the midway,
3. the Civic Centre south parking lot for Friday, July 19 beginning at 4:30 pm (the lot must be clear of all vehicles)
4. the north 50' of the Civic Centre north parking lot from July 13-20 for the midway (due to the loss of space due to the flower garden)

B) By-law

Control of what takes place on the festival grounds, adjacent sidewalks and streets during the operation of the festival, especially pertaining to vendors. Anyone wishing to sell or demonstrate products on the grounds must first receive permission to do so from the ROTARYFEST committee. A fee may apply.

- 1) Russ Ramsay Way south of the entrance to the Senior Drop In Centre;
- 2) Foster Drive from Russ Ramsay Way to the east entrance to the south Civic Centre parking lot;
- 3) On the south side of Bay Street between Brock and East Streets, including the sidewalk;
- 4) Lower East Street south of Bay Street and Ken Danby Way

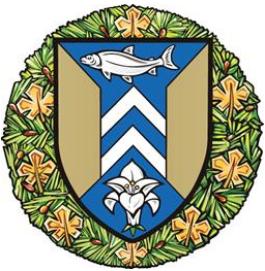
On behalf of Rotary, I would like to thank you for your cooperation in this matter.

Sincerely,

Carolyn Bunting O'Connor  
Events Manager

cc: Margaret Hazelton, CSD

364 Queen St. East, Sault Ste. Marie, ON P6A 1Z1  
705-945-1279 ~ [www.rotarysault.com](http://www.rotarysault.com)



## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Al Horsman, CAO  
**DEPARTMENT:** Chief Administrative Officer  
**RE:** Algoma Docks Project

---

#### PURPOSE

The purpose of this report is to request City Council's approval to enter into discussions to further amend the existing contribution agreements with FedNor and the Northern Ontario Heritage Fund Corporation (NOHFC) for the Algoma Docks project. This amendment would extend the project end date from June 30, 2019 to December 31, 2019.

#### BACKGROUND

On 2014 05 12 City Council approved contribution agreements with FedNor and NOHFC. Both FedNor and NOHFC each approved a contribution of \$2,120,000 with Essar Steel Algoma Inc. to provide \$800,000 and the City contributing \$260,000. The original project completion date was December 31, 2016.

On 2016 05 30, City Council received an update report advising that Phase 1 of the Algoma Docks project was completed. This work included:

- A detailed analysis that identified potential opportunities within the Algoma Docks service area.
- Initiation of a comprehensive environmental process with regulatory agencies to create an efficient and successful EA process.
- Initiation of the First Nations consultation process including agreements with two sub-consultants at both Garden River First Nation and Batchewana First Nation.
- Extensive engineering and planning efforts including data collection, field investigations, environmental studies, operational criteria, etc.
- Development of a detailed project report outlining required future capital works.
- A New Building Canada Fund application that provided the overall business case for the project with key outcomes and benefits. This document will be used when applying for future funding programs.

City Council was also advised that the decision was made by the project management team that all further project activity would be paused pending resolution of the Company Creditors Arrangement Act (CCAA) process with Algoma Inc.

On 2016 08 22, City Council approved a report recommending an extension of the end date for both the FedNor and NOHFC agreements to December 31, 2017. On September 24, 2018, due to the length of CCAA proceedings a further extension was recommended and agreed to by NOHFC which Council approved. This agreement had a completion date of June 30, 2019.

Staff is requesting approval to extend the agreements with NOHFC and FedNor again. This is due to the length of the CCAA proceedings and also, with the new ownership and management structure in place at Algoma Steel, further time is required to determine the path forward for this project.

#### **ANALYSIS**

The City's Federal and Provincial partners are aware of the lengthy process to conclude the CCAA proceedings and have advised that to ensure that the funding allocated for the project is available for future use, an amendment to the agreements is required to extend the project completion date. We are seeking approval to extend to December 31, 2019. This amendment will allow sufficient time to complete the "go forward" plan with the new ownership and management team at Algoma Steel.

#### **FINANCIAL IMPLICATIONS**

The City's contribution to this project was previously approved. Therefore there are no new financial implications.

#### **STRATEGIC PLAN / POLICY IMPACT**

This report is consistent with the new infrastructure strategic focus area of the Corporate Strategic Plan

#### **RECOMMENDATION**

It is therefore recommended that Council take the following action:

Resolved that the report of the Chief Administrative Officer dated 2019 06 17 regarding an amendment to the FedNor and NOHFC Port of Algoma contribution agreements be approved and that staff seek an extension of the funding agreements with NOHFC and FedNor from June 30, 2019 to December 31, 2019.

Respectfully submitted,

Algoma Docks Project

2019 06 17

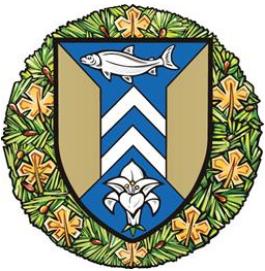
Page 3.

*Al Horsman*

Al Horsman

Chief Administrative Office

[cao.horsman@cityssm.on.ca](mailto:cao.horsman@cityssm.on.ca)



## The Corporation of the City of Sault Ste. Marie

### COUNCIL REPORT

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Al Horsman, CAO  
**DEPARTMENT:** Chief Administrative Officer  
**RE:** Audit and Accountability Fund

---

#### PURPOSE

The purpose of this report is to seek Council's direction and approval to submit an Expression of Interest to participate in the Province's Audit and Accountability Fund program.

#### BACKGROUND

The Province announced on May 21, 2019 that it would be providing a \$7.35 million Audit and Accountability Fund to large urban municipalities and district school boards interested in conducting reviews to identify potential savings, while maintaining front-line services.

#### ANALYSIS

The City of Sault Ste. Marie is currently engaged in the development of a municipal service profile model. On January 28, 2019 Council approved the proposal submitted by KPMG LLP to utilize the Municipal Reference Model(MRM) to develop the profile.

The MRM provides the foundation to achieve greater accountability and efficiency through improved performance measurement, opportunity for exploring alternative service delivery options and benchmarking to other communities and best practices. The Audit and Accountability Fund provides an opportunity to build on the MRM profiles and look at service delivery alternatives.

The Audit and Accountability Fund provides funding for a review of municipal service delivery expenditures to find efficiencies. A report by an independent third party that provides specific and actionable recommendations for cost saving and improvements must be publicly posted by November 30, 2019. The program will not cover review projects where:

- The object of the review is to identify opportunities for revenue generation or reductions in front line services
- The review does not result in a formal report prepared by a third party.
- The object of the review extends beyond municipal accountability

Audit and Accountability Fund

2019 06 17

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Staff is proposing a review of service delivery and modernization opportunities. This review can be completed by expanding the scope of the MRM project with the current consultant, KPMG LLP. If the current consultant is not engaged, duplication of services and additional costs may be incurred. The final report date may not be met also if the MRM profiles are required to proceed to a service review.

Of caution, staff noted that the news release (Attachment) and accompanying background materials related to the Audit and Accountability Fund announcement describe this an exercise for municipalities and school boards, "...to work towards the shared goal of returning the province to fiscal balance...". It is not clear what is intended in this regard, but it would be hoped that any municipal savings identified in this process not be offset by reductions in other provincial funding sources (e.g. OMPF). To date, staff officials at Ministry of Municipal Affairs have been unable to clarify if this interpretation is accurate.

**FINANCIAL IMPLICATIONS**

The cost of expanding the scope of the current MRM project, is estimated to be between \$50,000 and \$75,000 all of which would be covered by the Audit and Accountability Fund if approved.

**STRATEGIC PLAN / POLICY IMPACT**

The project outcomes link to the value of Fiscal Responsibility outlined in the Corporate Strategic Plan 2016-2020.

**RECOMMENDATION**

It is therefore recommended that Council take the following action:

Approve providing the province with an expression of interest to access the Audit and Accountability Fund and that the increased scope of work be single sourced to KPMG LLP to be fully funded through Audit and Accountability Fund.

Respectfully submitted,

*Al Horsman*

Al Horsman

Chief Administrative Officer

705.759.5347

[cao.horsman@cityssm.on.ca](mailto:cao.horsman@cityssm.on.ca)



## Premier Ford Asks Partners to Find Four Per Cent Savings and Help Protect Front-Line Services

*Government of Ontario to provide funding for large urban municipalities and district school boards to conduct line-by-line reviews*

May 21, 2019 1:30 P.M.

AJAX — The Ontario government is offering to help district school boards and large urban municipalities protect core public services for future generations by finding savings of four cents on every dollar spent.

Today, Premier Doug Ford was at a joint luncheon of the Greater Oshawa Chamber of Commerce, the Whitby Chamber of Commerce and the Ajax-Pickering Board of Trade. He announced that the government is providing \$7.35 million for large urban municipalities and district school boards interested in conducting line-by-line reviews to identify potential savings, while maintaining vital front-line services, through the Audit and Accountability Fund.

"Our government was elected to fix 15 years of Liberal mismanagement, put the province on a path to balance and protect services like health care and education," said Ford. "But the previous Liberal government was using the credit card to pay the mortgage and, with interest payments costing our province \$36 million a day, we can't do it alone. We campaigned on finding four cents for every provincial dollar spent and we are asking our partners to do the same."

In Ontario, over 90 per cent of provincial spending goes towards funding school boards, hospitals, municipalities and other outside organizations. **By providing resources through the Audit and Accountability Fund, the government is empowering school boards and municipalities to work towards the shared goal of returning the province to fiscal balance while making sure vital programs and services are maintained.**

In the 2019 Ontario Budget, *Protecting What Matters Most*, the government put forward a plan that sets Ontario on the right path to achieve savings of four cents on the dollar, building on work done to realize four cents on the dollar in cost avoidance. The government's plan also saw an increase in funding for health care and postsecondary education, supporting municipal transformation efforts, while moving forward on reducing the province's debt burden.

"We are willing to work with our partners to find the savings within their budget. This exercise is about putting structures in place that create a culture of efficiency," said Peter Bethlenfalvy, President of the Treasury Board. "The interest on debt accumulated by the previous government

is the single largest cut to frontline services in Ontario's history. To achieve structural balance and a sustainable government, we will put the People at the centre of every service, every regulation, every program, process and policy. We're ready to help our transfer payment partners and we need their help."

"Municipalities and district school boards now have the tools they need to find real savings and protect what matters most to the people of Ontario," said Ford. "Our government is ready and willing to roll up our sleeves and work with anyone who shares our priority of returning Ontario to fiscal health."

## QUICK FACTS

- The Province of Ontario's debt is currently in excess of \$347 billion. Interest on the debt costs the provincial government more than \$1 billion a month, or \$36 million a day.
- Over 90 per cent of provincial government spending is distributed to partners such as municipalities, hospitals, school boards and post-secondary institutions.
- Through a comprehensive multi-year planning process, the government has found efficiencies and is delivering additional savings beyond the 2018-19 fiscal year while providing relief to Ontario individuals, families and businesses.

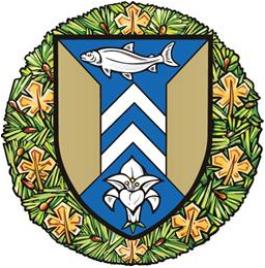
## LEARN MORE

- [2019 Budget: Protecting What Matters Most](#)

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Ivana Yelich Premier's Office  
Ivana.Yelich@ontario.ca

[\*\*Available Online\*\*](#)  
[Disponible en Français](#)



## The Corporation of the City of Sault Ste. Marie

### COUNCIL REPORT

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Jacob Bruzas, CA, CPA, Manager of Audits and Capital Planning  
**DEPARTMENT:** Corporate Services  
**RE:** 2018 Audited Financial Statements

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#### PURPOSE

The purpose of this report is to approve the attached draft audited Consolidated Financial Statements and Trust Fund Statements for the year ended December 31, 2018.

#### BACKGROUND

The Finance Committee met on June 12, 2019 with the City's auditor KPMG LLP, Chartered Professional Accountants, to review the 2018 City financial audit and the following resolution was approved:

Moved by: Councillor M. Bruni

Seconded by: Councillor D. Hilsinger

Resolved that the Finance Committee receive the 2018 Audited Financial Statements and recommend to City Council for approval.

#### ANALYSIS

Not applicable.

#### FINANCIAL IMPLICATIONS

Not applicable.

#### STRATEGIC PLAN / POLICY IMPACT

This is not an activity directly related to the Strategic Plan.

#### RECOMMENDATION

It is therefore recommended that Council take the following action:

Resolved that the report of the Manager of Audits and Capital Planning dated 2019 06 17 concerning 2018 Audited Financial Statements be received and the recommendation that the audited Consolidated Financial Statements and Trust Fund Statements for 2018 be approved.

2018 Audited Financial Statements

2019 06 17

Page 2.

Respectfully submitted,



Jacob Bruzas

Manager of Audits and Capital Planning

705.759.5356

j.bruzas@cityssm.on.ca

Consolidated Financial Statements of

**THE CORPORATION OF THE  
CITY OF SAULT STE. MARIE**

Year ended December 31, 2018

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# **THE CORPORATION OF THE CITY OF SAULT STE. MARIE**

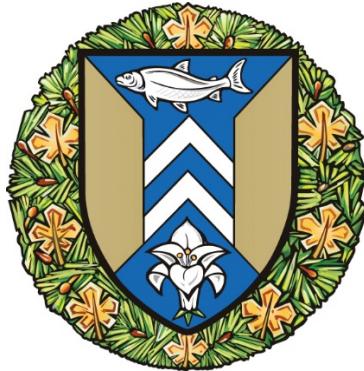
Consolidated Financial Statements

Year ended December 31, 2018

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### **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of The Corporation of The City of Sault Ste. Marie (the "City") are the responsibility of the City's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The finance committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the City. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.

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Chief Administrative Officer

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Chief Financial Officer / City Treasurer



KPMG LLP  
111 Elgin Street, Suite 200  
Sault Ste. Marie ON P6A 6L6  
Canada  
Telephone (705) 949-5811  
Fax (705) 949-0911

## INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of The City of Sault Ste. Marie

### ***Opinion***

We have audited the consolidated financial statements of The Corporation of The City of Sault Ste. Marie (the "City"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2018 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Consolidated Financial Statements"*** section of our auditors' report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures

are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the City to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

June 17, 2019

DRAFT

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

## Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial assets</b>		
Cash and cash equivalents	\$ 85,822,804	\$ 59,247,123
Taxes receivable	4,692,539	25,512,939
Accounts receivable	15,420,247	14,838,449
Other current assets	132,202	98,868
Investment in government business enterprises (note 6)	73,898,660	72,271,951
	<u>179,966,452</u>	<u>171,969,330</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	19,670,692	22,202,705
Future employee benefit obligations (note 12)	39,070,294	36,747,326
Deferred revenue (note 3)	874,876	2,039,483
Landfill closure and post closure liability (note 13)	24,050,475	23,723,226
Net long-term liabilities (note 4):		
The Corporation of the City of Sault Ste. Marie	4,870,508	6,307,250
Net long-term liabilities (note 5):		
Public Utilities Commission of the City of Sault Ste. Marie	5,917,394	6,652,782
	<u>94,454,239</u>	<u>97,672,772</u>
Net financial assets	85,512,213	74,296,558
Non-financial assets:		
Tangible capital assets (note 14)	469,008,319	458,258,381
Prepaid expenses	640,407	298,952
Inventories	2,528,478	2,383,042
	<u>472,177,204</u>	<u>460,940,375</u>
Contingent liabilities (note 11)		
Accumulated surplus (note 15)	\$ 557,689,417	\$ 535,236,933

The accompanying notes are an integral part of these consolidated financial statements.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 7)	2018	2017
<b>Revenue:</b>			
Property taxation	\$ 113,241,818	\$ 113,863,528	\$ 112,328,695
Taxation from other governments	4,160,860	4,366,620	4,541,861
Fees and user charges	55,362,043	54,297,466	50,713,920
Government grants (note 16)	35,016,663	34,505,629	31,755,578
Interest income	4,315,000	7,735,285	6,683,038
Other	2,122,425	2,716,683	3,913,672
Developer contributions (note 14)	-	146,070	3,912,138
Net income of government business enterprise (note 6)	-	2,846,869	3,115,833
<b>Total revenue</b>	<b>214,218,809</b>	<b>220,478,150</b>	<b>216,964,735</b>
<b>Expenses:</b>			
General government	14,230,894	17,115,233	17,236,317
Protection services	43,206,366	45,125,431	43,686,947
Transportation services	34,631,080	38,775,936	37,760,899
Environmental services	26,446,925	26,054,214	26,715,714
Health services	11,086,282	10,746,671	10,107,478
Social and family services	19,135,633	19,147,555	20,114,167
Planning and development	2,651,752	3,944,993	3,719,033
Recreation and cultural services	17,162,392	17,501,922	16,627,618
Amortization of tangible capital assets	19,319,744	19,432,461	19,474,260
Loss on disposal of tangible capital assets	-	181,250	246,532
<b>Total expenses</b>	<b>187,871,068</b>	<b>198,025,666</b>	<b>195,688,965</b>
<b>Annual surplus</b>	<b>26,347,741</b>	<b>22,452,484</b>	<b>21,275,770</b>
Accumulated surplus, beginning of year	535,236,933	535,236,933	513,961,163
<b>Accumulated surplus, end of year</b>	<b>\$ 561,584,674</b>	<b>\$ 557,689,417</b>	<b>\$ 535,236,933</b>

The accompanying notes are an integral part of these consolidated financial statements.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

## Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 7)	2018	2017
Annual surplus	\$ 26,347,741	\$ 22,452,484	\$ 21,275,770
Acquisition of tangible capital assets	(56,172,844)	(30,938,469)	(20,254,354)
Amortization of tangible capital assets	19,319,744	19,432,461	19,474,260
Gain on sale of tangible capital assets	-	181,250	246,532
Proceeds on sale of tangible capital assets	-	574,820	174,691
	(10,505,359)	11,702,546	20,916,899
Change in prepaid expenses	-	(341,455)	63,052
Change in inventories	-	(145,436)	(39,072)
Change in net financial assets	(10,505,359)	11,215,655	20,940,879
Net financial assets, beginning of year	74,296,558	74,296,558	53,355,679
Net financial assets, end of year	\$ 63,791,199	\$ 85,512,213	\$ 74,296,558

The accompanying notes are an integral part of these consolidated financial statements.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

## Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 22,452,484	\$ 21,275,770
Items not involving cash:		
Amortization of tangible capital assets	19,432,461	19,474,260
Gain on sale of tangible capital assets	181,250	246,532
Developer contributions	(146,070)	(3,912,138)
Change in future employee benefit obligations	2,322,968	(214,925)
Change in landfill closure and post-closure liability	327,249	1,597,654
Net income of government business enterprise (note 6)	<u>(2,846,869)</u>	<u>(3,115,833)</u>
	41,723,473	35,351,320
Change in non-cash assets and liabilities:		
Taxes receivable	20,820,400	(6,472,130)
Accounts receivable	(581,798)	433,709
Other current assets	(33,334)	79,180
Prepaid expenses	(341,455)	63,052
Inventories	(145,436)	(39,072)
Accounts payable and accrued liabilities	(2,532,013)	(5,494,670)
Deferred revenue	<u>(1,164,607)</u>	<u>1,212,346</u>
	57,745,230	25,133,735
Capital activities:		
Proceeds on sale of tangible capital assets	574,820	174,691
Cash used to acquire tangible capital assets	<u>(30,792,399)</u>	<u>(16,342,216)</u>
	<u>(30,217,579)</u>	<u>(16,167,525)</u>
Investing activities:		
Dividends received from PUC Inc.	1,220,160	-
Financing activities:		
Repayment of long-term liabilities	(2,172,130)	(2,117,619)
Net change in cash	26,575,681	6,848,591
Cash and cash equivalents, beginning of year	59,247,123	52,398,532
Cash and cash equivalents, end of year	<u>\$ 85,822,804</u>	<u>\$ 59,247,123</u>

The accompanying notes are an integral part of these consolidated financial statements.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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The City of Sault Ste. Marie (the "City") is a municipality that was created on April 16, 1912 pursuant to the Municipal Act. The City provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

## 1. Significant accounting policies:

The consolidated financial statements of the City are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the City are as follows:

### (a) Basis of consolidation:

#### (i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City except for the City's government business enterprises which are accounted for on the modified equity basis of accounting.

These entities and organizations include:

Sault Ste. Marie Police Services Board  
Public Utilities Commission of the City of Sault Ste. Marie  
Sault Ste. Marie Public Library

Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

#### (ii) Investment in Government Business Enterprises

The City's investment in PUC Inc. and PUC Services Inc. is accounted for on a modified equity basis, consistent with Canadian generally accounting principles as recommended by PSAB for investments in government business enterprises. On December 31, 2010 PUC Inc. was restructured creating two separate companies: PUC Inc. and PUC Services Inc. Previous to the restructuring, PUC Services Inc. was owned by PUC Inc. and thus included in the consolidated financial statements of PUC Inc. Under the modified equity basis, PUC Inc.'s and PUC Services Inc.'s accounting policies are not adjusted to conform with those of the municipality and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of PUC Inc. and PUC Services Inc. in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from PUC Inc. and PUC Services Inc. will be reflected as reductions in the investment asset account.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 1. Significant accounting policies (continued):

### (iii) Related entities:

The consolidated financial statements do not reflect the assets, liabilities, sources of financing, expenses and the activities of the following Boards and enterprises which are not under the control of Council.

Algoma Public Health

District of Sault Ste. Marie Social Services Administration Board

Board of Management of Queenstown

Sault Ste. Marie Public Region Conservation Authority

### (iv) Trust funds:

Trust funds and their related operations administered by the City are not included in the consolidated financial statements.

### (b) Basis of accounting:

The City follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

### (c) Revenue recognition:

The City prepared tax billings based on assessment rolls issued by the Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

### (d) Temporary investments:

Temporary investments are recorded at the lower of cost and market value.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 1. Significant accounting policies (continued):

### (e) Inventories:

Inventories held for resale are stated at the lower of cost and net realizable value, while inventories of supplies are stated at lower of cost and replacement value.

### (f) Deferred revenue:

Deferred revenues represent licenses, permits and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

### (g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

#### i. Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less (if applicable) residual value of the tangible capital assets excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Landfill and land improvements	10 - 30 years
Buildings and building improvements	10 - 60 years
Vehicles	3 - 15 years
Machinery and equipment	5 - 25 years
Infrastructure	15 - 100 years

Half year amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### ii. Contributions for tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also recorded as revenue.

#### iii. Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 1. Significant accounting policies (continued):

### (h) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, landfill liability and in performing actuarial valuations of employee future benefits.

In addition, the City's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

### (i) Employee future benefits:

- i. The City provides certain benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and life insurance, extended health and dental benefits for early retirees.

The costs of sick leave, benefits under the Workplace Safety and Insurance Board Act and life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulated over the periods of service provided by employees, such as retirement gratuities, compensated absences and health, dental and life insurance benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- ii. The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

### (j) Landfill liability:

The liability for closure of operational sites and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 2. Tax revenues:

Property tax billings are prepared by the City based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the City were reviewed and new values established based on a common valuation date which was used by the City in computing the property tax bills for 2018. However, the property tax revenue and tax receivables of the City are subject to measurement uncertainty as a number of significant appeals submitted by ratepayers have yet to be heard.

The City has established an allowance for tax appeals and other items in the amount of \$1,820,000 (2017 - \$8,583,032). Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined.

## 3. Deferred revenue:

The balances in the deferred revenue of the City consist of:

	2018	2017
Development charges act	\$ 19,072	\$ 12,922
Provincial Gas Tax	38,722	37,228
Federal Gas Tax	391,957	1,333,138
Parkland	315,704	464,470
Building permits Bill 124	109,421	191,725
	<hr/> \$ 874,876	<hr/> \$ 2,039,483

Continuity of deferred revenue is as follows:

	2018	2017
Balance, beginning of year:		
Development charges act	\$ 12,922	\$ 5,800
Provincial Gas Tax	37,228	35,869
Federal Gas Tax	1,333,138	-
Parkland	464,470	508,375
Building permits Bill 124	191,725	277,093
	<hr/> 2,039,483	<hr/> 827,137
Other revenue	83,817	84,813
Interest earned	125,111	74,784
Total revenue	208,928	159,597
Contributions deferred	-	1,333,352
Contributions used	(1,373,534)	(280,603)
Balance, end of year	<hr/> \$ 874,876	<hr/> \$ 2,039,483

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 4. Net long-term liabilities:

	2018	2017
Net long-term liabilities incurred by: The Corporation of the City of Sault Ste. Marie	\$ 4,870,508	\$ 6,307,250

Principal repayments recoverable over the next four years are as follows:

	2019	2020	2021	2022	\$ 1,522,124
					1,612,297
					636,337
					23,527

The annual principal and interest payments required to service the long-term obligations of the City are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

The long-term obligations issued in the name of the City have received approval of the Ontario Municipal board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law.

The above long-term debt has various maturity dates and interest rates ranging from due on demand to 2024 and 0% to 7.74% respectively. Interest paid in the year and included in current expenses is \$287,472 (2017 - \$367,400).

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 5. Net long-term liabilities:

	2018	2017
Net long-term liabilities incurred by: Public Utilities Commission of the City of Sault Ste. Marie	5,917,394	6,652,782

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Principal repayments recoverable over the next five years are as follows:

	\$	
2019	758,587	
2020	782,518	
2021	807,205	
2022	832,670	
2023	858,938	

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The loan is repayable \$77,660 monthly including interest at 3.11% and matures on January 12, 2026.

The Corporation of the City of Sault Ste. Marie (the "Guarantor") guarantees payment to the Bank of all present and future debts and liabilities, including interest due at any time by the Commission to the Bank. The Guarantor shall be limited to the sum of \$8,000,000 together with interest from the date of demand for repayment.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 6. Investment in government business enterprises:

PUC Inc. is incorporated under the laws of the Province of Ontario and provides municipal electrical distribution and other services to the residents of Sault Ste. Marie. The City owns 100% of the outstanding shares of PUC Inc. PUC Services Inc. is incorporated under the laws of the Province of Ontario and provides management, operations and maintenance services related to water, wastewater and electrical services to its related entities and other organizations. The City owns 100% of the outstanding shares of PUC Services Inc.

The following schedule reflects the combined financial information of PUC Inc. and PUC Services Inc. as at December 31:

	2018	2017
Financial Position:		
Current assets	\$ 37,413,970	\$ 43,979,054
Notes receivable	8,315,331	8,315,331
Future income tax assets	780,000	965,000
Capital assets	112,424,721	109,768,325
Regulatory assets	50,380	120,529
<b>Total assets</b>	<b>\$ 159,439,402</b>	<b>\$ 163,148,239</b>
Current liabilities	\$ 20,986,017	\$ 23,018,917
Employee future benefit obligations	1,796,238	2,240,410
Notes payable	77,101,493	78,447,993
Deferred revenue	10,887,407	10,732,985
Regulatory liabilities	6,739,588	8,155,983
<b>Total liabilities</b>	<b>117,510,743</b>	<b>122,596,288</b>
<b>Shareholder's equity</b>	<b>41,928,659</b>	<b>40,551,951</b>
<b>Total liabilities and equity</b>	<b>\$ 159,439,402</b>	<b>\$ 163,148,239</b>

The note payable to the City of \$6,720,000 is unsecured, bears interest at 6.1% per annum, and is payable one year after demand. The note payable to the City of \$25,000,000 is unsecured, bears interest at rates negotiated periodically, currently 6.1%, and is payable one year after demand.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 6. Investment in government business enterprises (continued):

	2018	2017
Results of operations:		
Revenues	\$ 106,618,157	\$ 113,147,898
Expenses	(104,105,613)	(109,895,043)
Provision for payment in lieu of taxes	(74,907)	(43,182)
Other comprehensive income (loss)	409,232	(93,840)
Net income for the year	<u>\$ 2,846,869</u>	<u>\$ 3,115,833</u>
The City's investment in government business enterprises is comprised of:		
Common shares	\$ 15,668,248	\$ 15,668,248
Special shares	15,513,300	15,513,300
Accumulated other comprehensive income (loss)	653,228	(6,005)
Retained earnings	10,343,884	9,376,408
Equity, end of year	42,178,660	40,551,951
Notes receivable	31,720,000	31,720,000
Investment in government business enterprises	<u>\$ 73,898,660</u>	<u>\$ 72,271,951</u>

## 7. Budget figures:

The Budget By-law adopted by Council for the 2018 year was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of reserves to reduce current year expenses in excess of current year revenues to \$Nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the consolidated statements of operations and accumulated surplus and change in net financial assets represent the financial plan adopted by Council with adjustments as follows:

	2018	2017
Adopted budget by-law for the year	\$ -	\$ -
Adjustments to adopted budget:		
Debt principal repayments	3,691,789	3,597,987
Investment in tangible capital assets	56,172,844	46,452,897
Amortization of tangible capital assets	(19,319,744)	(19,421,617)
Proceeds from long-term debt	-	(5,000,000)
Net transfer to/from reserves and other	(14,197,148)	274,409
Budget surplus per consolidated statement of operations and accumulated surplus	<u>\$ 26,347,741</u>	<u>\$ 25,903,676</u>

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 8. Pension agreements:

The City makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2018 was \$6,388,210 (2017 - \$6,400,394) is included as an expense on the consolidated statement of operations and accumulated surplus.

## 9. Operations of school boards:

During 2018, the City collected and transferred property taxes totaling \$20,045,813 (2017 - \$20,031,699) on behalf of area school boards.

## 10. Trust funds:

The trust funds administered by the City amounting to \$8,205,182 (2017 - \$7,934,414) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the City for the benefit of others; they are not presented as part of the City's financial position or financial activities. At December 31, 2018, the trust fund balances are comprised of:

	2018	2017
Cemetery Care and Maintenance funds	\$ 5,703,229	\$ 5,530,632
Pre-need assurance	2,295,658	2,222,474
Transit employees' pension	77,954	76,426
Historic Sites	82,261	55,376
Heritage Sault Ste. Marie	28,901	28,094
Ontario Home Renewal Program	3,565	8,031
Cultural Endowment	13,614	13,381
	<hr/> \$ 8,205,182	<hr/> \$ 7,934,414

## 11. Contingent liabilities:

The City has been named in litigation matters, the outcome of which is not determinable and accordingly, no provision has been made for them in these consolidated financial statements. Should any loss result from these claims, such loss would be charged to operations in the year of resolution.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 12. Employee future benefit obligations:

Employee future benefits are liabilities of the City to its employees and early retirees for the following benefits earned but not taken as at December 31 are as follows:

	2018	2017
Future payments required to W.S.I.B.	\$ 13,402,821	\$ 12,212,609
Post-employment and post-retirement benefits	16,026,042	15,375,038
Vacation pay	7,487,585	7,272,443
Non-vesting sick leave benefits	2,153,846	1,887,236
<b>Employee future benefit obligations</b>	<b>\$ 39,070,294</b>	<b>\$ 36,747,326</b>

### *Post employment and post retirement benefits*

The City provides non-pension benefits to employees and retirees until they reach 65 years of age. The values that follow have been estimated based upon employee data available during the actuarial review which was completed as at December 31, 2018.

The benefit liability continuity is as follows:

	2018	2017
Accrued benefit liability, January 1	\$ 15,375,038	\$ 14,802,487
Expense	1,513,974	1,451,040
Payments	(862,970)	(878,489)
<b>Accrued benefit liability, December 31</b>	<b>\$ 16,026,042</b>	<b>\$ 15,375,038</b>

### *Significant assumptions*

Discount rate	3.75%
Health cost increase	5.0% - 6.25%

### *Non-vesting sick leave benefits*

Sick leave benefits accrue to City employees at a rate of one and a half days per month. Unused sick days are banked and may be used in the future if sick leave is beyond yearly allocation. No cash payments are made for unused sick time upon termination or retirement.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## **12. Employee future benefit obligations (continued):**

### *Accrued vacation pay*

Accrued vacation pay represents the liability for vacation entitlements earned by employees but not taken as at December 31, 2018.

### *Future payments for Worker's Safety and Insurance Board (WSIB)*

Under the provisions of the Workplace Safety and Insurance Board Act, the City has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required, to fund current disability payments. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability.

## **13. Landfill closure and post-closure liability:**

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a sixty year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The City operates one primary landfill site, the 5th Line Landfill. The site has capacity of approximately 3,000,000 metric tons with approximately 438,000 metric tons of remaining capacity. At current average fill rates, the site has a remaining operating life of approximately 7.3 years.

It is estimated that the total net present value of the cost to close and maintain the 5th Line Landfill site is approximately \$28,162,149 (2017 - \$26,897,081). At December 31, 2018, an amount of \$24,050,475 (2017 - \$23,723,226) with respect to landfill closure and post-closure liability has been accrued and will be funded from future taxation revenues. The City has established a reserve to contribute to the cost of closing and maintaining the landfill site of \$12,183,147 (2017 - \$12,170,315).

The City is undertaking a full Environmental Assessment of the landfill site to determine future options which may extend the operating life of the landfill.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 14. Tangible capital assets

								2018
	Landfill and Buildings and			Infrastructure	Machinery and Equipment	Vehicles	Assets under Construction	Total
	Land	Improvements	Building Improvements					
<b>Cost</b>								
Balance, beginning of the year	\$ 25,467,797	13,075,375	97,154,296	563,476,303	27,252,340	30,756,293	15,898,576	\$ 773,080,980
Additions	498,383	508,903	-	17,130,884	2,647,539	2,043,375	11,727,117	34,556,201
Disposals	(197,348)	-	(427,453)	(2,951,005)	(737,386)	(1,170,079)	(3,954,818)	(9,438,089)
Balance, end of year	25,768,832	13,584,278	96,726,843	577,656,182	29,162,493	31,629,589	23,670,875	798,199,092
<b>Accumulated Amortization</b>								
Balance, beginning of the year	-	(8,539,120)	(38,399,619)	(232,788,985)	(16,846,255)	(18,248,620)	-	(314,822,599)
Disposals/transfers	-	-	247,682	2,951,005	702,658	1,162,942	-	5,064,287
Amortization expense	-	(606,524)	(2,152,538)	(12,758,477)	(1,846,130)	(2,068,792)	-	(19,432,461)
Balance, end of year	-	(9,145,644)	(40,304,475)	(242,596,457)	(17,989,727)	(19,154,470)	-	(329,190,773)
<b>Net book value, end of year</b>	<b>\$ 25,768,832</b>	<b>4,438,634</b>	<b>56,422,368</b>	<b>335,059,725</b>	<b>11,172,766</b>	<b>12,475,119</b>	<b>23,670,875</b>	<b>\$ 469,008,319</b>
<b>Net book value, beginning of year</b>	<b>\$ 25,467,797</b>	<b>4,536,255</b>	<b>58,754,677</b>	<b>330,687,318</b>	<b>10,406,085</b>	<b>12,507,673</b>	<b>15,898,576</b>	<b>\$ 458,258,381</b>

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 14. Tangible capital assets (continued)

								2017	
	Landfill and Land Improvements		Buildings and Building Improvements		Infrastructure	Machinery and Equipment	Vehicles	Assets under Construction	Total
	Land	Improvements	Land	Improvements					
<b>Cost</b>									
Balance, beginning of the year	\$ 25,473,046	12,417,140	96,334,920	556,708,826	27,938,515	30,241,222	9,005,115	\$ 758,118,784	
Additions	224	658,235	819,376	9,730,294	1,135,038	1,017,726	7,707,615	21,068,508	
Disposals	(5,473)	-	-	(2,962,817)	(1,821,213)	(502,655)	(814,154)	(6,106,312)	
Balance, end of year	25,467,797	13,075,375	97,154,296	563,476,303	27,252,340	30,756,293	15,898,576	773,080,980	
<b>Accumulated Amortization</b>									
Balance, beginning of the year	-	(7,868,484)	(36,227,007)	(223,174,455)	(16,366,929)	(16,582,399)	-	(300,219,274)	
Disposals/transfers	-	-	-	2,962,817	1,466,945	441,173	-	4,870,935	
Amortization expense	-	(670,636)	(2,172,612)	(12,577,347)	(1,946,271)	(2,107,394)	-	(19,474,260)	
Balance, end of year	-	(8,539,120)	(38,399,619)	(232,788,985)	(16,846,255)	(18,248,620)	-	(314,822,599)	
<b>Net book value, end of year</b>	<b>\$ 25,467,797</b>	<b>4,536,255</b>	<b>58,754,677</b>	<b>330,687,318</b>	<b>10,406,085</b>	<b>12,507,673</b>	<b>15,898,576</b>	<b>\$ 458,258,381</b>	
<b>Net book value, beginning of year</b>	<b>\$ 25,473,046</b>	<b>4,548,656</b>	<b>60,107,913</b>	<b>333,534,371</b>	<b>11,571,586</b>	<b>13,658,823</b>	<b>9,005,115</b>	<b>\$ 457,899,510</b>	

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 14. Tangible capital assets (continued):

### a) Assets under construction:

Assets under construction having a value of \$23,670,875 (2017 - \$15,898,576) have not been amortized. Amortization of these assets will commence when the asset is put into service.

### b) Developer contributions:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year was \$146,070 (2017 - \$3,912,138) comprised of water infrastructure, land and roads infrastructure.

### c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

### d) Works of art and historical treasures:

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 15. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2018	2017
<b>Surplus:</b>		
Invested in tangible capital assets	\$ 469,008,319	\$ 458,258,381
Invested in government business enterprises	73,898,660	72,271,951
Sanitary sewer	37,816,365	34,490,311
Operating fund	11,585,502	7,289,482
Unfunded		
Net long-term liabilities	(10,787,902)	(12,960,032)
Landfill closure costs	(24,050,475)	(23,723,226)
Employee benefits	(39,070,294)	(36,747,326)
Total surplus	<u>518,400,175</u>	<u>498,879,541</u>
<b>Reserves set aside for specific purpose by Council:</b>		
Acquisition of tangible capital assets	2,652,398	3,571,870
Planning and development	547,601	517,601
Other programs	20,191,225	17,871,960
Waste disposal site	12,183,147	12,170,315
Total reserves	<u>35,574,371</u>	<u>34,131,746</u>
<b>Reserve funds set aside for specific purpose by Council:</b>		
Cemetery development	1,044,640	658,602
Industrial land	571,425	554,676
Property purchases	1,299,720	738,523
Hospital development	210,625	273,845
Other programs	588,461	–
Total reserve funds	<u>3,714,871</u>	<u>2,225,646</u>
	<hr/> <u>\$ 557,689,417</u>	<hr/> <u>\$ 535,236,933</u>

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 16. Government grants:

The City recognizes the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The transfers reported on the consolidated statement of operations and accumulated surplus are:

	2018	2017
Revenue:		
Provincial grants	\$ 25,966,092	\$ 24,286,194
Federal grants	8,539,537	7,469,383
Total revenues	<u>\$ 34,505,629</u>	<u>\$ 31,755,577</u>

## 17. Comparative amounts:

Certain 2017 comparative amounts have been reclassified to conform to the financial statement presentation of 2018.

## 18. Segmented information:

The City is a diversified municipal government institution that provides a wide range of services to its citizens. City services are provided by departments and certain departments have been separately disclosed in the segmented information, along with the services they provide. These departments are:

General Government

General Government is comprised of City Council, the Mayor's Office, and the Chief Administrators' Office (CAO).

The Chief Administrators' Office is charged with the responsibility of coordinating the work of all municipal departments and ensuring that those departments carry out the policies and directions given by City Council.

Corporate Services

Corporate Services is comprised of the Clerks Department, Human Resources Department and the Finance Department. Each of these departments provides program support to various other areas.

The Clerks Department's primary task is to function as the corporate secretary to City Council, ensuring that all Council Agendas, Minutes of proceedings, resolutions, decisions, voting, records, and accounts are recorded, documented and certified.

The Human Resources Department is charged with negotiation and administration of all collective agreements as well as all facets of employment and employee benefits.

The Finance Department is responsible for the City's general financial management and budget preparation. The department is comprised of financial administration, accounting, tax and licensing, purchasing and information technology.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## Legal Services

The Legal Department is responsible for the preparation of by-laws, deeds, leases, agreements and other legal documents, as well as property management for the City in regards to purchases, sales, leasing, easements and related agreements. Prosecutions and administration of Provincial Offences Act is also part of their responsibility.

## Fire Services

Fire Services is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. It is also responsible, through its Emergency Medical Services, for pre-hospital emergency paramedical care and the transport of the sick and injured.

## Public Works and Engineering

The Public Works Department is responsible for maintenance of municipal infrastructure, such as streets, sewers, and parks. The department provides solid waste management through refuse collection, recycling programs, and sanitary landfill management. The department is also responsible for traffic control, including signage, signals and pavement markings.

The Engineering Department is comprised of Building Services and Engineering and Construction. Building Services provides maintenance, janitorial services and security for the Civic Centre and Ontario Works. The Engineering and Construction Division provides services associated with engineering design, construction, technical services, and special project initiatives.

## Community Development and Enterprise Services

Community Development & Enterprise Services includes: Building, Community Services, and Planning & Enterprise Services. The Building Department is responsible for administration and enforcement of construction codes, building standards, and by-law for the protection of occupants. The Community Services Department provides public services for Cemeteries & Crematorium, Central Administration, Community Centres, Recreation and Culture, and Transit. The Planning & Enterprise Services Department facilitates economic development by providing services for the approval of all land development plans and the application of enforcement of zoning by-laws.

## Outside Agencies

These agencies are approved by Council through grant agreements or Memorandums of Agreement. This segment includes grants to the Art Gallery of Algoma, Sault Ste. Marie Museum, Canadian Bushplane Heritage Museum, Algoma University, Pee Wee Arena, Safe Communities, Economic Development Corporation (and related entities), and Sault Ste. Marie Innovation Centre. The Sault Ste. Marie Police Service and Sault Ste. Marie Public Library report to City Council through their Boards.

## Levy Boards

These Boards provide the City amounts to be collected on their behalf. Levy Boards include Algoma Public Health, the Sault Ste. Marie Region Conservation Authority, and the Sault Ste. Marie District Social Services Administration Board (DSSAB).

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 18. Segmented disclosure (continued):

	2018									
	General Government	Corporate Services	Legal Services	Fire Services	Public Works and Engineering	Community Development & Enterprise Services	Outside Agencies	Levy Boards	Government Business Enterprises	Total
<b>Revenue:</b>										
Taxation	\$ 543,395	10,321,903	640,302	11,675,001	33,151,171	11,633,384	29,441,520	20,823,472	-	\$ 118,230,148
Fees and user charges	-	143,768	2,282,301	7,356,191	33,768,254	10,075,216	671,736	-	-	54,297,466
Government grants	716,595	1,694,892	371,843	2,062,572	19,282,080	4,147,262	6,230,385	-	-	34,505,629
Interest income	7,416,019	-	12,452	-	128,122	178,692	-	-	-	7,735,285
Other	901,951	178,533	-	3,689	556,969	711,961	509,650	-	-	2,862,753
Net income of government business enterprise (note 5)	-	-	-	-	-	-	-	-	2,846,869	2,846,869
	9,577,960	12,339,096	3,306,898	21,097,453	86,886,596	26,746,515	36,853,291	20,823,472	2,846,869	220,478,150
<b>Expenses:</b>										
Salaries, wages and employee benefits	1,379,419	6,137,388	1,241,256	19,595,215	25,230,790	15,646,940	27,510,791	-	-	96,741,799
Materials	390,202	287,835	1,620,247	1,220,351	24,296,915	6,033,531	3,319,781	-	-	37,168,862
Contracted services	21,633	1,318,489	286,288	504,217	11,211,102	2,218,374	469,319	-	-	16,029,422
Rents and financial	-	4,064,317	67,408	2,557	11,097	479,900	140,824	-	-	4,766,103
Grants to others	7,274	960	-	-	-	155,874	2,718,189	20,823,472	-	23,705,769
Amortization of tangible capital assets	2,707	359,394	1,750	441,511	15,869,273	1,814,047	943,779	-	-	19,432,461
Loss (gain) on disposal of tangible capital assets	-	-	(253,261)	23,471	286,768	120,194	4,078	-	-	181,250
	1,801,235	12,168,383	2,963,688	21,787,322	76,905,945	26,468,860	35,106,761	20,823,472	-	198,025,666
<b>Annual surplus (deficit)</b>	<b>\$ 7,776,725</b>	<b>170,713</b>	<b>343,210</b>	<b>(689,869)</b>	<b>9,980,651</b>	<b>277,655</b>	<b>1,746,530</b>	<b>-</b>	<b>2,846,869</b>	<b>\$ 22,452,484</b>

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 18. Segmented disclosure (continued):

	2017									
	General Government	Corporate Services	Legal Services	Fire Services	Public Works and Engineering	Community Development & Enterprise Services	Outside Agencies	Levy Boards	Government Business Enterprises	Total
<b>Revenue:</b>										
Taxation	\$ 2,825,718	11,232,878	1,095,706	11,531,121	29,054,085	12,221,980	28,447,103	20,461,965	-	\$ 116,870,556
Fees and user charges	-	126,699	2,314,895	6,897,396	31,258,549	9,420,832	695,549	-	-	50,713,920
Government grants	690,008	1,788,930	404,499	2,010,189	16,359,254	4,581,855	5,920,843	-	-	31,755,578
Interest income	6,462,251	-	7,580	-	61,877	151,330	-	-	-	6,683,038
Other	2,344,357	110,100	-	3,556	4,500,926	516,920	349,951	-	-	7,825,810
Net income of government business enterprise (note 5)	-	-	-	-	-	-	-	-	3,115,833	3,115,833
	12,322,334	13,258,607	3,822,680	20,442,262	81,234,691	26,892,917	35,413,446	20,461,965	3,115,833	216,964,735
<b>Expenses:</b>										
Salaries, wages and employee benefits	1,057,435	5,794,251	1,303,479	18,600,971	24,055,878	15,678,075	26,514,418	-	-	93,004,507
Materials	307,081	263,956	2,196,262	1,050,793	24,850,463	6,051,844	2,676,097	-	-	37,396,496
Contracted services	57,531	885,973	104,023	477,465	11,355,695	1,959,205	356,154	-	-	15,196,046
Rents and financial	-	5,265,636	69,564	5,897	4,419	540,151	156,224	-	-	6,041,891
Grants to others	31,566	2,000	-	-	-	794,320	3,039,382	20,461,965	-	24,329,233
Amortization of tangible capital assets	4,727	432,565	3,499	425,443	15,819,535	1,814,263	974,228	-	-	19,474,260
Loss (gain) on disposal of tangible capital assets	-	1,413	(38,718)	16,595	138,356	128,886	-	-	-	246,532
	1,458,340	12,645,794	3,638,109	20,577,164	76,224,346	26,966,744	33,716,503	20,461,965	-	195,688,965
Annual surplus (deficit)	\$ 10,863,994	612,813	184,571	(134,902)	5,010,345	(73,827)	1,696,943	-	3,115,833	\$ 21,275,770

Financial Statements of

**THE CORPORATION OF THE  
CITY OF SAULT STE. MARIE  
Trust Funds**

Year ended December 31, 2018

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Fax (705) 949-0911

## INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of The City of Sault Ste. Marie

### ***Opinion***

We have audited the financial statements of the trust funds of The Corporation of The City of Sault Ste. Marie (the "Trust"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of continuity the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2018 and the continuity of trust funds for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a



material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada  
June 17, 2019

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# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

## Trust Funds

### Statement of Financial Position

December 31, 2018, with comparative information for 2017

	Care and Maintenance	Pre-need Assurance	Ontario Home Renewal Plan	Historic Sites	Heritage SSM	Transit Employees Pension	Cultural Endowment	2018 Total	2017 Total
<b>Assets</b>									
Cash and investments (note 3)	\$ 5,777,428	\$ 2,355,616	\$ 10,379	\$ 57,320	\$ 28,901	\$ 77,961	\$ 13,624	\$ 8,321,229	\$ 8,016,442
Loans receivable (note 2)	-	-	16,446	-	-	-	-	16,446	17,130
Receivable from other funds	-	-	-	24,941	-	-	-	24,941	-
	<b>\$ 5,777,428</b>	<b>\$ 2,355,616</b>	<b>\$ 26,825</b>	<b>\$ 82,261</b>	<b>\$ 28,901</b>	<b>\$ 77,961</b>	<b>\$ 13,624</b>	<b>\$ 8,362,616</b>	<b>\$ 8,033,572</b>
<b>Liabilities and Fund Balance</b>									
Payable to other funds	\$ 74,199	\$ 59,958	\$ 23,260	\$ -	\$ -	\$ 7	\$ 10	\$ 157,434	\$ 99,158
Fund balance	5,703,229	2,295,658	3,565	82,261	28,901	77,954	13,614	8,205,182	7,934,414
	<b>\$ 5,777,428</b>	<b>\$ 2,355,616</b>	<b>\$ 26,825</b>	<b>\$ 82,261</b>	<b>\$ 28,901</b>	<b>\$ 77,961</b>	<b>\$ 13,624</b>	<b>\$ 8,362,616</b>	<b>\$ 8,033,572</b>

The accompanying notes are an integral part of these financial statements.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

## Trust Funds

### Statement of Continuity

Year ended December 31, 2018, with comparative information for 2017

	Care and Maintenance	Pre-need Assurance	Ontario Home Renewal Plan	Historic Sites	Heritage SSM	Transit Employees Pension	Cultural Endowment	2018 Total	2017 Total
Fund balance, beginning of the year	\$ 5,530,632	\$ 2,222,474	\$ 8,031	\$ 55,376	\$ 28,094	\$ 76,427	\$ 13,380	\$ 7,934,414	\$ 7,745,700
Revenue:									
Capital receipts	172,597	256,400	-	1,000	-	-	-	429,997	289,741
Contributions from revenue fund	-	-	-	24,942	-	-	-	24,942	24,294
Interest earned	169,359	41,522	326	943	807	1,527	234	214,718	108,937
	341,956	297,922	326	26,885	807	1,527	234	669,657	422,972
Expenditures:									
Contributions to revenue fund	169,359	224,738	326	-	-	-	-	394,423	233,375
Transfer to Province of Ontario	-	-	4,431	-	-	-	-	4,431	650
Administration charges	-	-	35	-	-	-	-	35	233
	169,359	224,738	4,792	-	-	-	-	398,889	234,258
Fund balance, end of year	\$ 5,703,229	\$ 2,295,658	\$ 3,565	\$ 82,261	\$ 28,901	\$ 77,954	\$ 13,614	\$ 8,205,182	\$ 7,934,414

The accompanying notes are an integral part of these financial statements.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

## Trust Funds

### Notes to Financial Statements

Year ended December 31, 2018

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The Corporation of the City of Sault Ste. Marie Trust Funds (the "Trust") consist of various trust funds administered by the Corporation of the City of Sault Ste. Marie. The Funds are not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

#### **1. Summary of Significant Accounting Policies:**

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

##### (a) Basis of accounting:

The financial statements are prepared by management and are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

##### (b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Trust has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Trust determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial assets is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Trust expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# THE CORPORATION OF THE CITY OF SAULT STE. MARIE

## Trust Funds

Notes to Financial Statements

Year ended December 31, 2018

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### 1. Summary of Significant Accounting Policies (continued):

#### (c) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

### 2. Ontario Home Renewal Program:

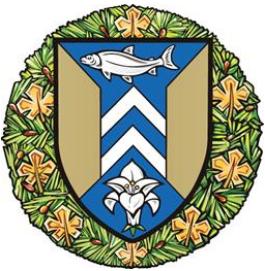
The Ontario Home Renewal Program ("OHRP") was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans were limited to \$7,500, of which the maximum deferred portion was \$4,000.

Ontario Home Renewal Program loans receivable at December 31, 2018 comprise repayable loans of \$8,827 (2017 - \$8,827) and deferred loans of \$7,619 (2017 - \$8,303). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continuous ownership and occupancy. The deferred portion of the loan is deferred for a five year period. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balance of the loans immediately become due and payable by the homeowner.

The Province of Ontario legislated an end to the OHRP program in 1993. As of July 16, 1993, no new loans were issued. All funds collected on outstanding OHRP loans are remitted to the Province by March 1 of the following year. However, municipalities are provided an administration fee of five per cent of the balances collected after December 31, 1993 and are permitted to retain the interest earned on unremitted OHRP trust account balances.

### 3. Cash and investments:

Total investments by the trust funds of \$3,966,968 (2017 - \$3,829,242) included in cash and investments on the Statement of Financial Position at cost, have a market value of \$4,064,069 (2017 - \$3,982,959).



## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Shelley J Schell CPA, CA Chief Financial Officer & Treasurer  
**DEPARTMENT:** Corporate Services  
**RE:** 2019 Reserve and Reserve Fund Policy Update

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#### PURPOSE

The purpose of this report is to seek Council's approval of the updated Reserve and Reserve Fund Policy and the transfer of various discontinued reserves.

#### BACKGROUND

Reserves and Reserve Funds are important to the City's finances and provide a strong indicator of the City's overall financial health. A policy governing their management is vitally important.

Adequate reserves and reserve funds provide for:

- Financial stability and assisting in providing for predictable levies
- Financial flexibility by providing a saving mechanism for future needs, such as capital requirements, and enabling opportunities as they arise
- Mitigating risks, uncertainty and unexpected events/contingencies
- Adherence to statutory requirements

The Reserve and Reserve Fund Policy was approved by Council on May 30, 2016. The policy provides that it be reviewed and updated with every term of Council.

#### ANALYSIS

The policy provides an overview and general guidance as well as an appendix of the various reserves and reserve funds (Appendix A). The policy section was reviewed and no changes are recommended. The appendix of reserves and reserve funds was updated to reflect new reserves that have been approved since 2016. Target levels were also updated where appropriate. Reserves whose purpose are no longer relevant are being recommended for transfer to the Community Development Reserve for the future use of Council for community projects. (Appendix B)

#### FINANCIAL IMPLICATIONS

There are no financial impacts relating to the approval of the policy and transfer between reserves.

**STRATEGIC PLAN / POLICY IMPACT**

This is an operational matter and not articulated in the Strategic Plan

**RECOMMENDATION**

It is therefore recommended that Council take the following action:

Resolved that the report of the Chief Financial Officer and Treasurer dated 2019 06 17 be received and the following recommendations be approved:

1. The Reserve and Reserve Fund Policy as presented (Appendix A) be approved.
2. The reserve transfers (Appendix B) be approved.

Respectfully submitted,



Shelley J. Schell, CPA, CA  
Chief Financial Officer/Treasurer  
705.759.5355  
[s.schell@cityssm.on.ca](mailto:s.schell@cityssm.on.ca)



**Subject: Reserves and Reserve Fund Policy**

**Service Area: Finance**

**Source: Administration**

**Date: 2019 06 17**

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**Purpose:**

The Reserves and Reserve Fund Policy is intended to establish consistent guidelines and standards, which will assist in the administration in a responsible and consistent manner. The primary objectives for reserve and reserve funds are:

- Provision for capital requirements and future expenses
- Promotion of financial stability and flexibility
- Mitigating risks, uncertainty and unexpected events/contingencies
- Adherence to statutory requirements

**Definitions:**

In this policy the following definitions are used:

- **Reserve** means an allocation of accumulated net revenue that does not require the physical segregation of money. It is established primarily for the purpose of providing working fund for operations or capital.
- **Reserve Fund** means a fund that is segregated and restricted to meet a specified purpose and includes both obligatory and discretionary reserve funds
- **Discretionary Reserve Fund** means Reserve Funds created at the discretion of Council whenever revenues are earmarked to finance future expenditures of a purpose designated by Council
- **Obligatory Reserve Fund** means Reserve Funds created when a senior government statute and/or agreement requires revenue received for special purposes to be segregated from the general revenues of the municipality. Obligatory reserve funds are to be used solely for the purpose prescribed for them by the statute or agreement.

**Scope:**

- 1) The Chief Financial Officer & Treasurer will review and approve requests for new reserves and reserve funds based upon a financial plan which identifies the purpose, target funding level, contribution sources and use of funds and provide a recommendation to Council for approval.
- 2) Any change to the pre-determined purpose for which the reserves and reserve funds are designated must be permitted by provincial statute and/or approved by Council.
- 3) Utilization of funds from reserves and reserve funds must be identified in an approved annual budget or a separate report submitted for Council approval if outside the normal annual budget.
- 4) The Chief Financial Officer & Treasurer will have the overall authority for managing reserve and reserve funds including:
  - a. Monitoring status of reserve and reserve funds
  - b. Determining the appropriate source of funding
  - c. Review the adequacy and funding target
  - d. Making recommendations to Council on the use or reallocation



The City of Sault Ste. Marie  
Corporate Policies

**APPENDIX A**  
Reserves and  
Reserve Fund Policy  
F-I-5

Appendix A reflects the approved current reserves and reserve funds, along with their use, target level and funding source.

***Lending of Reserves or Reserve Funds for Other Purposes***

Temporary internal borrowing is permitted to avoid external debt charges as long as there are adequate reserves available for the term of the loan and a source if identified for debt servicing.

***Policy Review***

This policy will be reviewed in the first year for each new term of Council, or as required through the budget process.

	RESERVES	RESERVES	RESERVES
<u><b>Operating Reserves</b></u>			
Tax Stabilization	\$5,700,000 - 10% own source revenue	Allocation of surplus as set out in Surplus Allocation Policy.	To smooth property tax increases. Reserve can only be accessed if the tax increase would otherwise be in excess of core inflation. Use of fund must have an "exit strategy" to reduce future dependency of the operating budget on the fund.
Contingency	Not applicable. Based upon requirements.	Annual contributions as required or recommended.	Unforeseen expenditures or contingent liabilities that may occur within a year that were not included in operating budget.
Community Development Fund	One time allocation	One time funding carried forward.	Community project support at Council direction
Conferences & Special Events	Not to exceed annual budget allocation of \$20,000.	Funded from annual operating allocation not utilized in current budget	Grant funding as set out in the Conferences and Major Special Events Support/Assistance Policy
OMERS Premium Reduction	One time allocation from 1998 OMERS funding holiday. Level will depend on future recommendations	Allocation as required or recommended	Funds employee-based initiatives, such as staff development and employee wellness initiatives
Self Insurance- LT Disability		\$650,000 Funded from disability premium refunds. Once maximum is reached, the excess will become general corporate surplus	Funding for self-insured long-term disability premiums in excess of annual budget due to unexpected increases in claims.
Election	Based upon 4 year funding of estimated elections expenses.	Annual allocation from the operating budget based upon forecasted election expense.	Election related expenses.
Asbestos Abatement		\$250,000 Funded from annual operating allocation not utilized in current budget	Asbestos abatement required expenses.
Parks & Recreation	Not applicable. Based upon requirements.	a) Resol. 5(i) Feb 23/09 transferred all profits for future capital development of Strathclair Park b) Municipal Heritage Committee Book sales transferred for us by Historic Sites Board c) Resol. 5(j) Feb 23/09 allocates 10% of athletic field fees for future capital requirements d) Other Parks & Rec General	a) Strathclair future development b) Historic Site Board recommended expenses c) athletic field capital requirements
Designated Heritage Property Grant	Not to exceed annual budget allocation of \$12,000.	Funded from annual operating allocation not utilized in current budget	Designated property grants as set out in the policy
Winter Control	40% of 5 year average winter maintenance costs. Minimum of \$500,000 (2018 5 yr avg - \$2,870,000)	Minimum of Funded from surplus from the annual operating budget for winter control, if any	Provides additional funding for winter maintenance in the event that annual operating budget is insufficient due to adverse winter conditions.
Fire Special Training	Not applicable. Based upon requirements.	Funded from annual revenue from fire extinguisher training	Provides for fire training in excess of annual budget.

		<b>Target Level</b>	<b>How Achieved</b>	<b>Expenditure</b>
<b>Barrier Removal</b>	Not to exceed annual budget allocation of \$85,000	Funded from annual operating allocation not utilized in current budget year. Once maximum is reached, the excess will become general corporate surplus.	Funds barrier removal projects as set out in the accessibility plan	
<b>Economic Development Funds</b>	\$1,000,000	Funded from annual budget allocation. Once maximum is reached, the excess will become general corporate surplus.	Provides funding for economic development projects as set out by the Economic Development Fund criteria July 10, 2007	
<b>Hub Trail</b>	One time allocation. Level will depend on future recommendations	Allocation as required or recommended	Provides funding for capital and maintenance of the John Rowswell Hub Trail	
<b>Green Committee</b>		\$150,000	Funded from annual operating allocation not utilized in current budget year. Once maximum is reached, the excess will become general corporate surplus.	Provides funding for Green Committee recommended projects
<b>Best for Kids Committee-Social Services</b>	Not applicable. Based upon requirements.	Semi-annual conference surplus/deficit transferred to fund program expenses (Best for Kids Committee resolution 2013-11-26)	Best for Kids program expenses	
<b>Best For Kids Program-CSD</b>	Not applicable. Based upon requirements.	Funded from donations received in excess of costs in fiscal year.	Best for Kids -Community Services Department program expenses	
<b>Police Contingency</b>		\$300,000	Funded from operating budget capital allocation once Police Capital Reserve reaches target level. (Resolution 2017 05-29)	As approved by Police Services Board
<b>Event Development Fund</b>		\$50,000	\$1 of Facility Fee per ticket sold for events at GFL Memorial Gardens (Resolution 2017 09-11)	To provide funding to co-produce and purchase shows and events at the GFL Memorial Gardens
<b>FutureSSM</b>	Not applicable. Based upon requirements.	Funded from annual operating allocation not utilized in current budget year.	Funding of City share of FutureSSM project	
<b>Capital Reserves</b>				
<b>Computer Software</b>		\$100,000	Funded from annual operating allocation not utilized in current budget year. Once maximum is reached, the excess will be allocated to the Asset Management Reserve	Funding for computer software upgrades as required and other assets
<b>GFL Memorial Gardens Capital</b>	Not applicable. Based upon requirements.		Funded from annual capital surcharge on ticket sales at GFL Memorial Gardens	Provides funding for capital requirements of GFL Memorial Gardens not identified in the Asset Management Plan for buildings.
<b>Facilities Maintenance</b>		\$750,000	Funded from rent received from Ontario Works building on Albert Street in excess of annual operating expenses. Once maximum is reached, the excess will be allocated to the Asset Management Reserve.	Funding for emergency maintenance requirements at any corporate facility which are not funded through Capital Budget, Asset Management Plan, Capital from Current or operations.
<b>Bondar Park Equipment</b>	Not applicable. Based upon requirements.		Funded from annual net profits of the Bondar Park concession	Provides funding for equipment for Bondar Park concession
<b>Skateboard Park</b>	One time allocation. Level will depend on future recommendations		Donations received for skateboard park	Future capital improvements or maintenance of skateboard park

	<b>Target Level</b>	<b>Provenance</b>	<b>Expenditures:</b>
Engineering Equipment	Based upon 10 year asset replacement cycle funding requirements.	Funded from annual budget allocation.	Funding for Engineering Department fleet and equipment. Excludes cap required.
Connecting Links	One time allocation. Level will depend on future recommendations	Funded from one time provincial grant received for Wellington Street when connecting link status was revoked.	Building Division requirements which are funded from permit fees.
PWT Equipment	Based upon 10 year asset replacement cycle funding requirements.	Funded from annual budget allocation.	Funding for Public Work fleet and equipment requirements, excluding transit.
Waste Disposal Site	Not applicable. Based upon requirements.	Funded from tipping fee revenue in excess of landfill operational costs	Provides funding for capital improvements, expansion and/or post-closure costs of landfill site.
Transit Equipment	Based upon 10 year asset replacement cycle funding requirements.	Funded from annual budget allocation.	Provides for the replacement of transit fleet and equipment
Fire Capital Equipment	Based upon 10 year asset replacement cycle funding requirements.	Funded from annual budget allocation.	Funding for Fire Services fleet and equipment requirements.
Police Capital	\$750,000	Funded from annual budget allocation.	Funding for Police Services fleet and equipment requirements.
Police Traffic School	Funding source no longer available. Reserve to be closed when funds exhausted.	Funding provided from Police Traffic School fees. No longer a revenue source	Police Services Board recommended expenditures.
Library Expansion	\$500,000	Funded from annual budget allocation.	Provides for capital requirements of City-owned library facilities not included in asset management plan.
Leigh's Bay Rail	\$65,000	Allocation as required or recommended	Provides for the future maintenance of the city owned Leigh's Bay rail line.

#### RESERVE FUNDS

Reserve fund assets are segregated and restricted to meet the purpose of the reserve fund.

Normally established with by-law

Obligatory reserve fund created whenever a statute requires revenue received for a special purpose be segregated from original revenues.

Discretionary Reserve Funds are created under section 417(1) of the Municipal Act. Established whenever a municipal council, local board or other entity wishes to earmark revenues to finance a future expenditures for which it has authority to spend money, and physically set aside as portion of any year's revenues so that funds are available as required.

\* denotes obligatory fund

#### 5% SUBDIVIDERS \*

Not applicable. Based upon legislated requirements

#### Pursuant to The Planning Act 1990 section 42(1) and 51.1(1)

payment in lieu of conveyance as a condition of development or agreement of subdivision and must be used for park or other public recreational purposes, including the erection, improvement or repair of buildings and the acquisition of machinery for park or other public recreational purposes. Sections 42(15) and 51.1(5) states funds to be paid into a special account and the money may be invested as permitted under the Municipal Act and the earnings paid into the special account.

#### CEMETERY

Not applicable. Based upon requirements

Provides for capital requirements including major maintenance and equipment of municipal cemeteries. Annual net revenue from cemetery operations transferred to fund.

#### INDUSTRIAL PARK

Not applicable. Based upon requirements

Provides for purchase of lands and property for industrial park development.

#### HOSPITAL

Not applicable. Will be closed with project completion

As recommended or required.

Remaining balance to provide for City share of Physician Recruitment Program.

#### PROPERTY PURCHASE

Not applicable. Based upon requirements

Proceeds from the sale of property to be used for property acquisitions of lands as authorized by Council.

#### PROVINCIAL GAS TAX \*

Not applicable. Based upon requirements

Unspent provincial gas tax grants to be used in future years for municipal public transportation services.

#### FEDERAL GAS TAX \*

Not applicable. Based upon requirements

Unspent federal gas tax grants to be used in future years for municipal roads, bridges, storm water systems and other capital as specified in agreement.

#### BLDG PERMIT \*

Not applicable. Based upon requirements

Provides for sufficient funds to continue operational and capital needs of the building permits process that are affected by fluctuation development.

#### OMC CYCLING \*

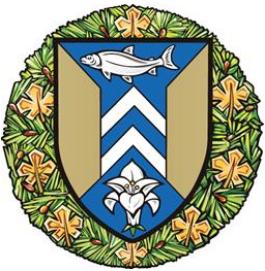
Not applicable. Based upon requirements

Unspent OMC Cycling Grant funds to be used in future years for new cycling lanes and infrastructure

THE CORPORATION OF THE CITY OF SAULT STE. MARIE  
RESERVES & RESERVE FUNDS RECOMMENDED FOR TRANSFER

APPENDIX B

<u>RESERVES</u>	RECOMMENDATION	DESCRIPTION	
Council Communication	Transfer to Community Development Reserve	One time funding carried forward. Future requirements within operating budget.	\$ 31,717
Celebrate 100	Transfer to Community Development Reserve	One time funding for special project.	\$ 5,000
Healthy Kids CC	Transfer to Community Development Reserve	Funded from annual operating allocation not utilized in current budget year. 3 year Commitment from 2015-2017	\$ 106,971
			<u>\$ 143,688</u>



## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

June 17, 2019

**TO:** **Mayor Christian Provenzano and Members of City Council**  
**AUTHOR:** **Tim Gowans, Manager of Purchasing**  
**DEPARTMENT:** **Finance Department**  
**RE:** **RFP – Unified Communication System (Telephony)**

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#### **PURPOSE**

This report has been prepared for your information and consideration, on behalf of the Evaluation Committee, concerning proposals received for the provision of a Unified Communication System (Telephony) as required by the Information Technology Division of Corporate Services for use by all Departments of the Corporation at all facilities. Staff is seeking Council approval of the Evaluation Committee's recommendation.

#### **BACKGROUND**

Telephone communication continues to be one of the most utilized tools for delivery of mandatory services by the City. The City requires a reliable telephone system in order to communicate with the citizens of Sault Ste. Marie as well as conduct corporate communications.

The City's current telephone system is a mixture of a Centrex System and "on-premises" systems. Centrex is a dated system and is approaching "end of life" for support. The existing "on-premises" systems are aging and becoming difficult to service. The various systems operate on copper wire technology which is a platform with limited upgradability and compatibility with more modern communication systems.

Upgrading now will allow a proactive measured approach to communication rather than a crisis reactive approach if required by system failures or removal of ongoing support. Council approved a capital budget allocation for this upgrade during 2019 budget deliberations.

A Request for Proposal for provision of a Unified Communication System (Telephony) was publicly advertised and RFP documents forwarded to all firms on our bidders list. Proposals were required to be submitted for consideration no later than 4:00 p.m. on May 24, 2019.

## **ANALYSIS**

Proposals from twelve (12) proponents were received prior to the closing date. One Proposal was received from a Proponent who had not made the mandatory site visit and was not considered. Proposals from the Proponents listed below were evaluated by a committee comprised of staff from Corporate Services (Information Technology, Finance Administration, and Purchasing); Community Development & Enterprise Services (Recreation & Culture); and Public Works & Engineering Services (Public Works and Building Services):

Algoma Telephone Systems Inc., Sault Ste. Marie, ON  
Alio Consult, Sault Ste. Marie, Sault Ste. Marie, ON  
Bell Canada, Barrie, ON  
FlexITy Solutions, Inc., Richmond Hill, ON  
High Tech Communications Inc. (Mitel), Aurora, ON  
High Tech Communications Inc. (RingCentral), Aurora, ON  
Nickel City Communications Ltd., Sudbury, ON  
Shaw Telecom, Calgary, AB  
Synnapex, Richmond Hill, ON  
Telecom Metric Inc., Kingston, ON  
WirelessCom.CA Inc., Sault Ste. Marie, ON

Evaluation included use of a predefined Evaluation Matrix, and clarifications & interviews as required.

It is the consensus of the Evaluation Committee that the Proponent scoring highest in the evaluation process is Shaw Telecom of Calgary, AB.

Shaw has a large technical staff located in Sault Ste. Marie capable of supporting their solution with 24/7 availability. Benefits associated with adopting the Shaw Telecom solution include a complete re-wiring where needed of the City's facilities with CAT6 cabling allowing for enhanced data communication as well as telephony use. Operating Costs (monthly charges) associated with the system include supply and maintenance for all related equipment including handsets and switches eliminating capital investment for this equipment.

## **FINANCIAL IMPLICATIONS**

Costs will be incurred in two areas for implementation of the new Unified Communication System: Upfront (Capital) Costs and Incremental (Operational) Costs.

Included in the Upfront Costs will be approximately \$64,500 including nonrebatable HST payable to Shaw Telecom for re-cabling of City facilities as needed. In addition, there will be approximately \$85,000 including nonrebatable HST for incremental operating costs and cancellation charges during the transition period. The City's Centrex Contract expires on July 10, 2019 but incremental monthly charges will occur in the interim until transition

to the new system is complete. Certain contracts for megalinks will need to be cancelled resulting in a portion of associated charges listed above.

During 2019 Budget deliberations, City Council approved the allocation of \$600,000 to Capital for this Project. The approximately \$150,000 including nonrebatable HST in upfront costs can be accommodated within the amount allocated for Capital.

It is estimated that once the system is commissioned, annual costs for telephony will be approximately \$128,000 annually, including nonrebatable HST, resulting in annual savings of approximately \$140,000 from the existing Contract. It was previously reported with the 2019 Budget that savings of \$75,000 annually in operating costs could be anticipated; half of which would be realized in 2019.

#### **STRATEGIC PLAN / POLICY IMPACT**

An effective, efficient and reliable telephone system impacts the Corporate Strategic Plan in many; if not all; focus areas but mostly clearly impacts the Delivery of Excellent Customer Service as included in the Service Delivery focus area.

#### **RECOMMENDATION**

Resolved that the report of the Manager of Purchasing dated 2019 06 17 be received and the recommendation that the proposal submitted by Shaw Telecom of Calgary, AB for the provision of a Unified Communication System (Telephony) for use by City, be approved for a five-year period commencing in the Fall of 2019; and further that City Staff be authorized to provide a Letter of Intent formally authorizing Shaw Telecom to proceed with this project.

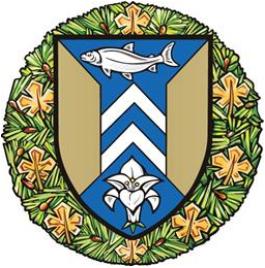
A by-law authorizing signature of an agreement for this project will appear on a future Council Agenda.

It is further resolved that City Staff be authorized to continue the existing Centrex Contract on a month to month basis and cancel it along with the existing megalink contracts when no longer needed.

Respectfully submitted,



Tim Gowans  
Manager of Purchasing  
705.759.5298  
[t.gowans@cityssm.on.ca](mailto:t.gowans@cityssm.on.ca)



## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Tim Gowans, Manager of Purchasing  
**DEPARTMENT:** Finance Department  
**RE:** RFP – On-Demand Transit Technology System

---

#### PURPOSE

This report has been prepared for your information and consideration, on behalf of the Evaluation Committee, concerning proposals received for the provision of an On-Demand Transit Technology System as required by the Transit Division of Community Development and Enterprise Services. Staff is seeking Council approval of the Evaluation Committee's recommendation.

#### BACKGROUND

As a result of Reports prepared by the Director of Community Services which appeared on the Council Agendas of September 24, 2018 and April 1, 2019; Staff was authorized to issue an RFP for the provision of On-Demand Transit Technology for a one-year Pilot Project with the ability to extend for up to three more years if the Pilot Project is deemed to be successful. It is anticipated that the Pilot Project would commence in August/September of this year.

The Pilot Project would run during the 7:00 p.m. to 12:00 midnight hours on Sunday evenings. This is traditionally a period of time where ridership is low (averaging 445 passengers per evening) and the majority of bus stops are not being utilized. This presents an excellent opportunity to run a pilot for On-Demand Services. By implementing an On-Demand Transit Technology System, the City intends to reduce the number of buses used to service the routes presently nine (9), and improve service delivery by making more efficient use of resources. Passengers would use an App, or call in to book a ride as needed. Service would allow travel from one pre-existing established stop to another at a time as requested.

The Request for Proposal was publicly advertised and RFP documents forwarded to all firms on our bidders list. Proposals were required to be submitted for consideration no later than 4:00 p.m. on May 3, 2019.

## **ANALYSIS**

Proposals from seven (7) proponents were received prior to the closing date;

Driverseat Sault Ste. Marie, Sault Ste. Marie, ON

Pantonium, Inc., Toronto, ON

RideCo Inc., Waterloo, ON

Routematch Software, Inc., Atlanta, GA

Spare Labs Inc., Vancouver, BC

Via Mobility LLC, New York, NY

Xongolab Technologies LLP, Ahmedabad, Gujarat, India

The proposals received have been evaluated by a committee comprised of staff from Community Development & Enterprise Services; and the Purchasing Division – Corporate Services. Evaluation included use of a predefined Evaluation Matrix, and interviews and demonstrations from selected Proponents.

It is the consensus of the Evaluation Committee that the Proponent scoring highest in the evaluation process is Via Mobility LLC of New York, NY. Benefits associated with adopting the Via solution for on-demand transit are listed in Appendix "A" attached to this Report.

## **FINANCIAL IMPLICATIONS**

The Report of the Director of Community Services of April 1, 2019 indicated the Pilot Project for the use On-Demand Transit Technology would be funded from the savings realized by operating transit service on an on-demand basis on Sunday evenings.

Under Via's proposal, the cost for the one (1) year pilot is \$28,000 USD. CDES states that this will be offset as the pilot will begin with seven (7) buses covering the service area as opposed to the nine (9) that are currently covering traditional routes. This results in a projected savings of \$22,000 for the one (1) year timeframe. If demand or service requirements supports that an additional bus is required, the incremental cost would be accommodated through operations and or offset in portion by increased fare revenue.

## **STRATEGIC PLAN / POLICY IMPACT**

Implementation of On-Demand Transit supports various focus areas of the Corporate Strategic Plan - Maintenance of Existing Infrastructure is included in the Infrastructure focus area; Delivery of Excellent Customer Service is included in the Service Delivery focus area; and Maximizing Economic Development Investment in the Community Development & Partnerships focus area.

**RECOMMENDATION**

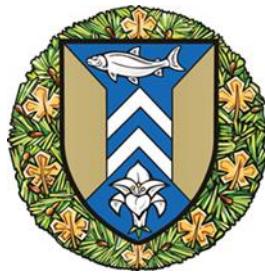
Resolved that the report of the Manager of Purchasing dated 2019 06 17 be received and the recommendation that the proposal submitted by Via Mobility, LLC to undertake the provision of an On-Demand Transit Technology System for use by the Transit Division of Community Development & Enterprise Services, be approved for a one-year Pilot Project with the option to extend for up to three (3) additional years by mutual agreement.

A by-law authorizing signature of an agreement for this project will appear on a future Council Agenda.

Respectfully submitted,



Tim Gowans  
Manager of Purchasing  
705.759.5298  
[t.gowans@cityssm.on.ca](mailto:t.gowans@cityssm.on.ca)



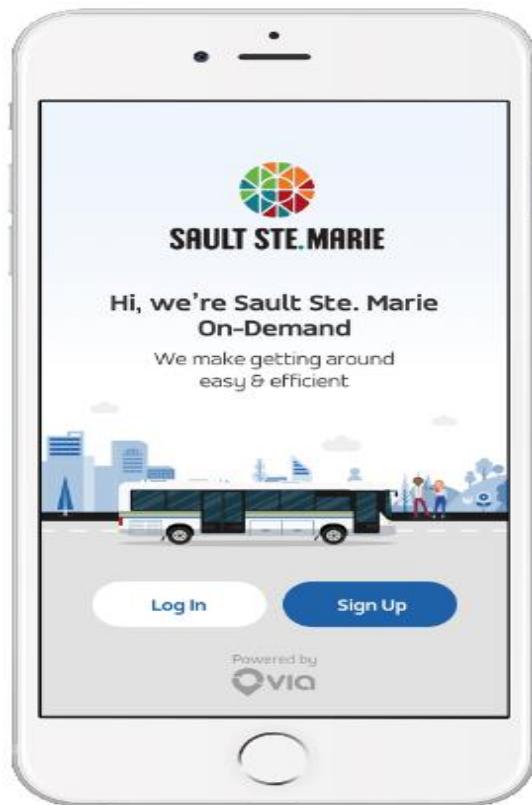
June 17, 2019

**Appendix A – Additional Information  
On Demand Transit Solution**

**Re: Via Mobility, LLC**

Via Mobility, LLC is a wholly owned subsidiary of Via Transportation, Inc. The Via group is the world's leading developer and operator of fully dynamic on-demand transit systems. Via has grown from a small share ride operator in New York City into a world leader in on-demand transit and a global company that provides over two million rides per month. Via has over 60 partnerships in 16 Countries. Via has consumer facing services in New York City, Chicago, Washington, DC, Amsterdam, London and Milton Keynes. To date they have provided more than 50 million rides.

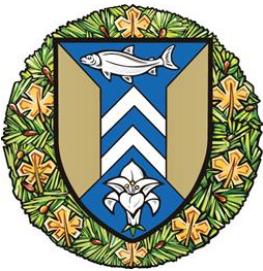
Via's on-demand transit platform will enable the City to make the most efficient use of existing infrastructure and operations while growing transit ridership.



**Rider App**

- Beautiful, intuitive app branded for Sault Ste. Marie
- In-app walking Directions
- Pre-scheduled Rides
- Rider notifications & messages
- Real-time vehicle tracking
- Post-ride feedback
- Different payment option capability

For more information please visit <https://ridewithvia.com/>



## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council

**AUTHOR:** Tim Gowans, Manager of Purchasing

**DEPARTMENT:** Finance Department

**RE:** RFP – Professional Services – Asset Management Assessment  
2019 Update for Sault Ste. Marie

---

#### PURPOSE

This report has been prepared for Council's information and consideration concerning the Proposal received for provision of the professional services associated with conducting the Asset Management Assessment 2019 Update for various City Facilities as required by Engineering Services. Staff is seeking Council approval of the recommendation contained in this report.

#### BACKGROUND

In 2013, as one of the first stages in implementing the City's Asset Management Plan, the City issued an RFP which was subsequently awarded to Morrison Hershfield Ltd. to conduct Building Condition Assessments of 27 buildings located on 22 different City sites. The thorough evaluation focused on the structure, building envelope, fire safety, mechanical systems, plumbing, electrical systems, elevators, ground & site, and energy efficiency suggestions for projects with 5 year or less financial payback.

For each major building component and system, the consultant documented description, age and history and identified condition, typical life expectancy, estimated remaining useful life and recommendation for capital repairs and replacements over 25 years.

The City's Asset Management Plan recommends a review at least every 5 years as significant changes in a building's condition can occur in a short period of time.

#### ANALYSIS

The required update to Asset Management Assessment is a continuation of the previous professional services provided; and builds upon expertise and knowledge derived from the previous effort.

The total cost of the original assessments was approximately \$105,000 including nonrebatabile HST.

Should a Consultant be engaged as a result of a competitive process to perform the professional services associated with this update, Staff anticipates that Proposal received would include fee schedules comparable to the fees associated with the original effort; in the magnitude of \$115,000 including nonrebatabile HST after inflation is considered.

Morrison Hershfield Ltd. has proposed fees including Professional Services and Expenses of approximately \$99,250 including nonrebatabile HST for the Project. After adjustment for inflation and a reduction in the required number of faculties to be assessed; these fees are comparable to those proposed in response to the 2013 RFP as an additional service.

In accordance with the Purchasing By-law, approval of single sourcing of this project is requested on the basis that compatibility of the services is a paramount consideration and that efficiencies will be realized by sourcing to the previous provider of the services.

### **FINANCIAL IMPLICATIONS**

The proposed fees and expenses of approximately \$99,250 including nonrebatabile HST can be accommodated within the 2019 allocation of \$120,000 for this Project from the Asset Management Reserve as approved by Council.

### **STRATEGIC PLAN / POLICY IMPACT**

Updating of the City's Asset Management Assessment is in keeping with the Asset Management priority of the Infrastructure Focus Area of the Corporate Strategic Plan.

### **RECOMMENDATION**

Resolved that the report of the Manager of Purchasing dated 2019 06 17 be received and the recommendation that the Proposal submitted by Morrison Hershfield Ltd. for the Asset Management Assessment 2019 Update for the City of Sault Ste. Marie, be approved, on a single source basis.

A by-law authorizing signature of an Agreement to perform the Assessment will appear on a future Council Agenda.

Professional Services – Asset Management Assessment 2019 Update for SSM

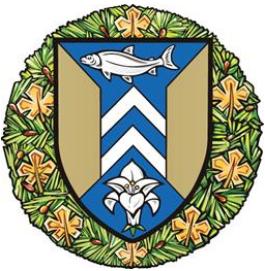
June 17, 2019

Page 3

Respectfully submitted,



Tim Gowans  
Manager of Purchasing  
705.759.5298  
[t.gowans@cityssm.on.ca](mailto:t.gowans@cityssm.on.ca)



## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Tim Gowans, Manager of Purchasing  
**DEPARTMENT:** Finance Department  
**RE:** RFQ – Traffic Control Equipment – Bay Street Improvements

---

#### **PURPOSE**

This report has been prepared for Council's information and consideration concerning the supply and delivery of Traffic Control Equipment for the Bay Street Improvements Project as required by Public Works on behalf of Engineering Services – Pubic Works & Engineering Services (PWES). Staff is seeking Council approval of the recommendation contained in this report.

#### **BACKGROUND**

Replacement and upgrading of Traffic Control Equipment is required as part of the Bay Street Improvements Project. Equipment must be installed at five intersections. This Traffic Control Equipment is a crucial part of the City's infrastructure.

#### **ANALYSIS**

Econolite Canada of Markham, ON provides traffic control equipment used by the City on its streets and intersections. This source of supply has been in place for many years. City Staff is familiar with its reliability, operation, and maintenance. In addition, Public Works Staff are not aware of any other supplier of similar equipment.

Included in this procurement are traffic heads, audible pushbuttons, traffic control cabinets, nitro radios, pedestrian signals & arms, and associated equipment.

Approval of sole sourcing of this supply and delivery is requested on the basis, in accordance with the Purchasing By-law, when the standardization and compatibility of a procurement with existing equipment is a paramount consideration; and there is an absence of competition for technical reasons and the equipment can only be supplied by a particular Supplier.

## Traffic Control Equipment – Bay Street Improvements

June 17, 2019

Page 2

There will be other significant procurements of certain traffic control equipment for the project that can and will be sourced through competitive bidding. RFQs and Tenders will be issued and awarded on a competitive basis in accordance with the Purchasing By-law.

### **FINANCIAL IMPLICATIONS**

City Council has approved the allocation of \$7,477,672 for completion of improvements to Bay Street. A Report of the Manager of Design and Transportation Engineering appeared on the June 3, 2019 Council Agenda describing the Project and requesting confirmation and approval of the necessary funding.

Econolite Canada has quoted pricing for the supply and delivery of this required traffic control equipment of approximately \$154,682; the non-rebatable portion of the HST will also apply; totalling approximately \$157,404.

This procurement can be accommodated within the approved funding.

### **STRATEGIC PLAN / POLICY IMPACT**

Construction of New Infrastructure is part of the Infrastructure Focus Area of the Corporate Strategic Plan.

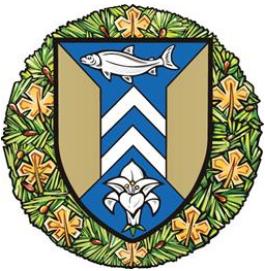
### **RECOMMENDATION**

Resolved that the report of the Manager of Purchasing dated June 17, 2019 be received, and the recommendation that the supply and delivery of traffic control equipment for installation on Bay Street, at a quoted price of \$154,681.95 plus HST, by Econolite Canada of Markham, ON, be approved, on a sole source basis.

Respectfully submitted,



Tim Gowans  
Manager of Purchasing  
705.759.5298  
[t.gowans@cityssm.on.ca](mailto:t.gowans@cityssm.on.ca)



## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Tim Gowans, Manager of Purchasing  
**DEPARTMENT:** Finance Department  
**RE:** Tender for Boiler Replacement – RESC Building

---

#### **PURPOSE**

Attached hereto for your information and consideration is a summary of the tenders received for Boiler Replacement at the RESC Building, as required by Fire Services. Staff is seeking Council approval of the tender recommendation.

#### **BACKGROUND**

The tender was publicly advertised and tender documents forwarded to all firms on our bidders list. A public opening of the tenders was held May 31, 2019 with the Deputy City Clerk in attendance.

#### **ANALYSIS**

The tenders received have been thoroughly evaluated and reviewed with the City's Consultant for the project, MET Energy Systems (Jim Ligouri), and the Assistant Fire Chief – Support Services. Mr. Ligouri's report concerning the tenders received is attached for Council's reference.

#### **FINANCIAL IMPLICATIONS**

The low tendered price, meeting specifications, as recommended by the City's Consultant is \$130,151.04 including non-rebatable HST.

Funding in the amount of \$160,000.00 was approved during 2018 and 2019 Budget deliberations by City Council. This tendered amount and estimated Engineering fees can be accommodated from within this allocation.

#### **STRATEGIC PLAN / POLICY IMPACT**

Maintenance of Existing Infrastructure is included in the Infrastructure focus area of the Corporate Strategic Plan.

**RECOMMENDATION**

Resolved that the report of the Manager of Purchasing dated 2019 06 17 be received and the recommendation that the tender for Boiler Replacement for the RESC Building be awarded to R.F. Contracting Inc., at their low tendered price, meeting specifications, of \$127,900.00 plus HST, be approved.

By-law 2019-135 authorizing signature of the Contract for this project appears elsewhere on the Council Agenda.

Respectfully submitted,



Tim Gowans  
Manager of Purchasing  
705.759.5298  
[t.gowans@cityssm.on.ca](mailto:t.gowans@cityssm.on.ca)



## Letter of Recommendation

MET ENERGY SYSTEMS  
*Consulting Engineering*  
477 Queen Street East, Suite 204  
Sault Ste. Marie, ON P6A 1Z5  
Tel: (705) 942-3344  
Fax: (705) 942-1477

**ATTENTION:** Mayor & City Council      **DATE:** June 3, 2019  
**COMPANY:** City of Sault Ste. Marie      **MET REF.:** 18M02  
**FROM:** Jim Liguori      **DOCUMENT NO.:** D001  
**COPIES:** Tim Janzen  
**SUBJECT:** **RESC BUILDING - BOILER REPLACEMENT**  
**CITY FILE # 2019FIR-03-T**  
**NO. PAGES:** 1 (including this page)

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On May 31<sup>st</sup>, 2019 three (3) sealed envelopes containing bid tenders for the subject project were submitted to the City Clerk. MET Energy Systems pre-tender estimate was \$144,375 + HST. All tenders received were opened by the Clerk's Department and are summarized as follows:

<u>Contractor</u>	<u>Amount Excluding HST</u>	<u>Addendums Included</u>	<u>Tender/Contract Security</u>	<u>Time to Complete</u>
McLeod Bros Mechanical Inc.	\$137,220.00	1	yes	6 weeks
R.F. Contracting Inc.	\$127,900.00	1	yes	6 weeks
S&T Electrical Contractors Ltd.	\$150,885.00	1	yes	10 weeks

Based on the reviewed tenders, we are recommending award of the contract to **R.F. Contracting Inc.**, in the amount of **\$127,900.00 (plus HST)**.

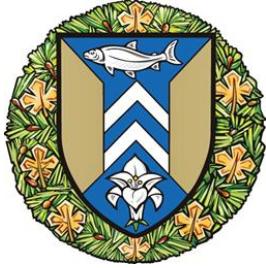
MET has overseen many past projects of similar size and scope completed by this contractor, and has no reservations in regards to the successful completion of the subject project.

Feel free to contact us with any questions or concerns.

Regards,

A handwritten signature in black ink, appearing to read "Jim Liguori".

Jim Liguori  
MET ENERGY SYSTEMS



## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council

**AUTHOR:** Tim Gowans, Manager of Purchasing

**DEPARTMENT:** Finance Department

**RE:** Tender for One (1) Vacuum Body Jet Rodding Sewer Cleaning Tandem Axle Truck

---

#### PURPOSE

Attached hereto for your information and consideration is a summary of the tenders received for the supply and delivery of One (1) Vacuum Body Jet Rodding Sewer Cleaning Tandem Axle Truck as required by Public Works & Engineering Services. Staff is seeking Council approval of the tender recommendation.

#### BACKGROUND

The tender was publicly advertised and tender documents forwarded to all firms on our bidders list. A public opening of the tenders was held May 21, 2019 with the Deputy City Clerk in attendance.

#### ANALYSIS

The tenders received have been thoroughly evaluated and reviewed with the Manager of Equipment & Building Maintenance – Public Works, and the low tendered price, meeting specifications, has been identified on the attached summary.

#### FINANCIAL IMPLICATIONS

The low tendered price for this equipment is \$551,001.91 including non-rebatable HST; after the trade-in allowance is applied.

The approved 2019 Budget allocated of \$782,000 from Sanitary Sewer Surcharges to Capital which included acquisition of this vehicle.

#### STRATEGIC PLAN / POLICY IMPACT

This is an operational matter not articulated in the Corporate Strategic Plan.

One (1) Vacuum Body Jet Rodding Sewer Cleaning Tandem Axle Truck

2019 06 17

Page 2

**RECOMMENDATION**

Resolved that the report of the Manager of Purchasing dated 2019 06 17 be received and the recommendation that the tender for the supply and delivery of One (1) Vacuum Body Jet Rodding Sewer Cleaning Tandem Axle Truck as required by Public Works, be awarded to TMS Truck Centre at their total tendered price of \$541,472.00 plus HST after the trade-in allowance is applied, be approved.

Respectfully submitted,



Tim Gowans  
Manager of Purchasing  
705.759.5298  
[t.gowans@cityssm.on.ca](mailto:t.gowans@cityssm.on.ca)

**FINANCE DEPARTMENT  
PURCHASING DIVISION**  
**2019 Sanitary Sewer Capital Allocation: \$625,000**

Received: May 21, 2019  
File: 2019PWE-PWT-23-T(2)

**SUMMARY OF TENDERS  
ONE (1) VACUUM BODY JET RODDING SEWER CLEANING TANDEM AXLE TRUCK**

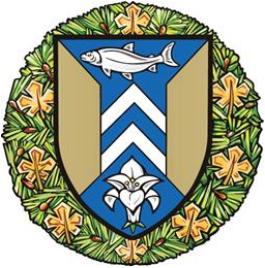
<b>Firm</b>	<b>Make &amp; Model</b>	<b>Delivery</b>	<b>Warranty</b>	<b>Total Tendered Price <u>after Trade-In Allowance</u> <u>(HST extra)</u></b>	<b>Remarks</b>
CM Equipment Inc. Ajax, ON	2020 Freightliner 114SD 2019 Vac-Con Model V311HEN/1500	60-90 w/days	Truck: 2 yrs/unlimited kms Equipment: 1 year	\$594,040.00	Does not meet specifications
First Line Equipment Corporation Stoney Creek, ON	2020 Freightliner 108SD 2019 Aquatech Model B 10	120 w/days	Truck: 2 yrs/unlimited kms Equipment: 1 year	\$474,500.00	Does not meet specifications
FST Canada Inc. Innisfil, ON	2020 Western Star 4700 SBA 2019 Vactor Model 2100i	134-164 w/days	Truck: 1 yr/unlimited kms Equipment: 1 year	\$544,777.49	Meets Specifications
TMS Truck Centre Ltd. Sault Ste. Marie, ON	2020 Freightliner 108SD 2019 Vactor Model 2100i	250 w/days	Truck: 2 yrs/unlimited kms Equipment: 1 year	\$541,472.00	Meets Specifications
Tru-Nor Truck Centre Ltd. Sault Ste. Marie, ON	2020 International HV607 2019 Vactor Model 2100i	176 w/days	1 yr/unlimited kms Equipment: 1 year	\$555,253.64	Meets Specifications

Note: The low tendered price, meeting specifications, is boxed above.

The total cost to the City will be \$551,001.91 including the non-rebatable portion of the HST.

It is my recommendation that the tendered price which includes the Trade-In Allowance, submitted by TMS Truck Centre Ltd., be accepted.

Tim Gowans  
Manager of Purchasing



## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Brent Lamming, Director of Community Services  
**DEPARTMENT:** Community Development and Enterprise Services  
**RE:** Beverage Pouring Contract-Updated Legal Entity Name Change

---

#### **PURPOSE**

The purpose of this report is to seek Council's approval of an Agreement between the City and Molson Canada 2005 for the Exclusive Beer Pouring Rights for the GFL Memorial Gardens.

#### **BACKGROUND**

On July 16, 2018, City Council passed By-law 2018-147 which authorized the execution of an Agreement between the City and Molson Coors Canada Inc. for a term commencing July 1, 2018 and ending June 30, 2021. Molson has subsequently requested that the Agreement be between the City and Molson Canada 2005.

#### **ANALYSIS**

Molson had submitted their response to the RFP as Molson Coors and all supporting documentation including Workplace Safety, Insurance Requirements etc. were all applicable to Molson Canada 2005. The City Legal Department has reviewed the Business registration documents, RFP submission and accompanying documents and is satisfied that the agreement should be between the City and Molson Canada 2005.

By-law 2019-125 repeals By-law 2018-147 and authorizes the execution of an Agreement between the City and Molson Canada 2005. City staff recommend approval of the name change. Also given the rebranding of the facility, the Agreement has been updated to reflect the venue as the GFL Memorial Gardens.

#### **FINANCIAL IMPLICATIONS**

There is no Financial Implication for the updated Legal Entity name change.

#### **STRATEGIC PLAN / POLICY IMPACT**

This is an Operational matter no directly related to the Corporate Strategic Plan.

Beverage Pouring Contract-Updated Legal Entity Name Change

2019 06 17

Page 2.

**RECOMMENDATION**

It is therefore recommended that Council take the following action:

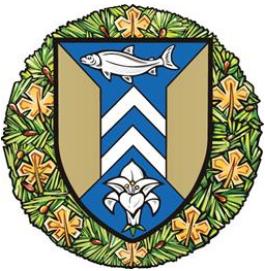
Resolved that the report of the Director, Community Services – Community Development & Enterprise Services dated 2019 06 17 concerning the Beverage Pouring Contract – Updated Legal Entity Name Change be approved.

A related by-law 2019-125 and agreement appears elsewhere on the Council agenda for approval.

Respectfully submitted,



Brent Lamming, PFP, CPA, CMA  
Director, Community Services  
Community Development & Enterprise Services  
(705)759-5314  
[b.lamming@cityssm.on.ca](mailto:b.lamming@cityssm.on.ca)



## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Virginia McLeod, Manager of Recreation and Culture  
**DEPARTMENT:** Community Development and Enterprise Services  
**RE:** St. Marys Paper Office Building – Proposed Amendment of Designating By-Law 83-60

---

#### PURPOSE

The Sault Ste. Marie Municipal Heritage Committee (S.S.M.M.H.C.) has been working with the Algoma Conservatory (owners of the former St. Marys Paper Office Building located at 75 Huron St.) to develop a plan for the relocation of the wrought iron fire escape, the relocation will require an amendment to the existing designating by-law. This report is to request Council's approval so that the 30 day notification period can begin.

#### BACKGROUND

The Sault Ste. Marie Municipal Heritage Committee is a committee of City Council committed to the identification and preservation of buildings, structures and lands that are of cultural and/or historical value or interest, and to initiate and promote a conservation ethic and a climate of responsible stewardship of the community's cultural heritage assets.

The former St. Marys Paper Office Building located at 75 Huron St. is a two and a half storey red sandstone office building built in 1901-1902 for the Consolidated Lake Superior Company. The office building is part of a larger industrial complex which includes a number of sand stone buildings of similar architecture. The buildings were constructed of local red sandstone which was excavated from the Canadian Locks in the late 1890's. The buildings consist of the office building, machine shop which are both designated along with the pulp tower which are fine examples of Richardsonian Romanesque architecture.

The character defining elements of the office building include;

- Its relation to the Clergue industrial complex and strategic setting on the industrial site.
- Massive rough stone masonry built from local red sandstone
- Heavy semi-circular headed windows, arches and doors
- Tall slender windows with transoms in groups of two, three or four
- Top floor dormers

- Two and a half storey wrought iron fire escape.

The fire escape is located on the south wall of the building next to the tail race.

The Algoma Conservatory has been working with MGP Architects and the Sault Ste. Marie Municipal Heritage Committee (S.S.M.M.H.C.) to develop a plan to install a new fire escape that will meet the building code requirements. The new fire escape is required as the Algoma Conservatory is in the process of creating a performance space on the 3<sup>rd</sup> floor of which was previously under utilized. Guy Traficante attended a Municipal Heritage Committee meeting on February 6<sup>th</sup>, 2019 to share information on the project and to begin working on a solution to install the new fire escape while preserving the wrought iron fire escape (please see attached photos). At the March 6<sup>th</sup>, 2019 meeting the S.S.M.M.H.C passed the following resolution:

Moved by: M. Caruso

Seconded by: D. Ellis

“Resolved that the M.H.C recommend that the Algoma Conservatory prepare a design for the addition of a new fire escape at the discretion of the design professional, that the existing heritage staircase be preserved and option(s) for relocation outlined, further that the Algoma Conservatory pursue a plan for the M.H.C to review.”

**CARRIED**

Additional information was presented at the April 3<sup>rd</sup>, 2019 meeting and the S.S.M.M.H.C passed the following resolution:

Moved by: M. Caruso

Seconded by: D. Greenwood

“Resolved that the Sault Ste. Marie Municipal Heritage Committee approve the concept for the new fire escape and the relocation of the existing fire escape to the Machine Shop and that the Algoma Conservatory prepare a design for the new fire escape which will be located at the Algoma Conservatory along with recommended options for the relocation of the fire escape the Machine Shop Courtyard as presented for and further that the Algoma Conservatory report back to the M.H.C. be approved.”

**CARRIED**

**ANALYSIS**

The S.S.M.M.H.C discussed several options with how to best address the addition of a new fire escape while preserving the existing fire escape with G. Traficante and H. Pietrzakowski who represents MGP Architects.

The design of the new fire escape will be presented to the S.S.M.M.H.C at a future meeting. A number of options for how to preserve the existing wrought iron fire escape were discussed. Options discussed included;

- Keeping the fire escape in its existing location to be used as the method of egress. This option was not feasible as the fire escape did not meet code and would need significant alterations which would change the character of the fire escape in order to make it compliant.
- Alternate locations on the office building were also explored.
- The third option was to relocate the fire escape to a more prominent location on the site at the Machine Shop.

The existing fire escape is located on the south wall of the building which is essentially hidden from the public. When the new power generation station was constructed the concrete headwall shields the southern elevation of the building including the fire escape from the public appreciation. By relocating the existing fire escape to a more prominent location on the “historic property” this will allow for the public to view the wrought iron fire escape. The location approved by the S.S.M.M.H.C is to have the fire escape relocated to the Machine Shop. MGP Architects will be providing a more detailed design at a future Municipal Heritage Committee meeting.

As St. Marys Paper Office Building (75 Huron) is a designated property the by-law requires an amendment as the relocation of the wrought iron fire escape changes the description of heritage attributes. As well, the legal description requires updating as the original grouping of properties have been severed into individual parcels. A future report will be brought forward to amend the designating by-law for the Machine Shop as well.

For minor amendments to a designation bylaw municipalities can follow an abbreviated process. Section 30.1(2) to (10) of the Ontario Heritage Act provides a process for amending designation bylaws that does not require the public notice process. The process only requires that the owner of the property is given the opportunity to object. If the owner does not object within 30 days then council may pass the amending by-law. This process is being recommended as the owner has made the request to relocate the staircase to Machine Shop which is part of the original grouping of properties.

Following the 30 day notification period a report will be brought to Council to amend St. Marys Paper Office Building designating by-law 83-60.

## **FINANCIAL IMPLICATIONS**

There is no financial implications.

## **STRATEGIC PLAN / POLICY IMPACT**

Focus Area – Quality of Life: Promotion of our City’s arts, culture, historic and heritage sites is an essential component in achieving economic health.

## **RECOMMENDATION**

St. Marys Paper Office Building – Proposed Amendment of Designating By-Law 83-60

2019 06 17

Page 4.

It is therefore recommended that Council take the following action:

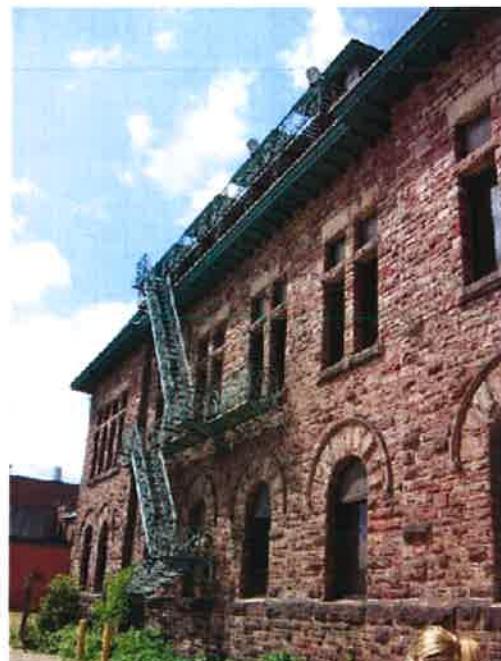
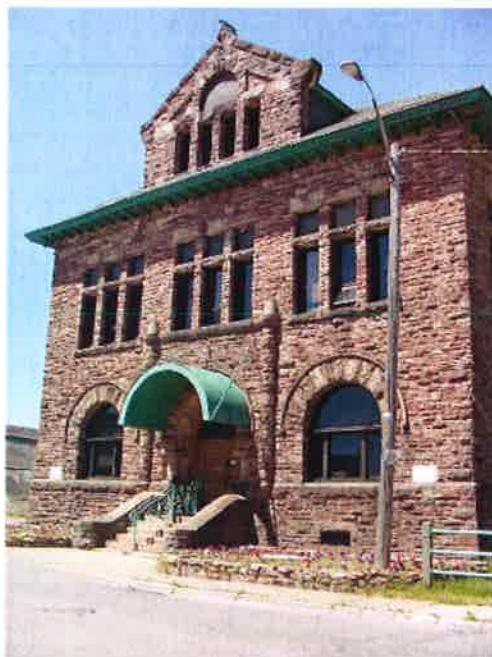
“Resolved that the report of the Manager of Recreation and Culture dated 2019 06 17 concerning St. Marys Paper Office Building – Proposed Amendment of Designating By-Law 83-60 and that the recommendation of the Sault Ste. Marie Municipal Heritage Committee to allow the relocation of the wrought iron fire escape to the Machine Shop and further that the 30 day notification period begin which is required to amend the designating by-law 83-60 be approved.”

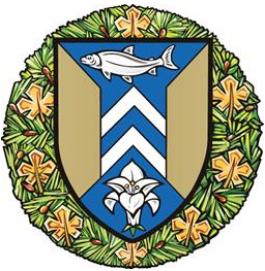
Respectfully submitted,



Virginia McLeod  
Manager of Recreation and Culture  
705.759-5311  
[v.mcleod@cityssm.on.ca](mailto:v.mcleod@cityssm.on.ca)

## Photos Taken: July 2005





## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Stephen Turco, RPP, Senior Planner  
**DEPARTMENT:** Community Development and Enterprise Services  
**RE:** Active Transportation Infrastructure Implementation – Update to Traffic By-law 77-200

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#### PURPOSE

The purpose of this report is to recommend updates to Traffic By-law 77-200, as part of the implementation of two cycling routes: Queen Street, from the Sault Ste. Marie Golf Club to Dacey Road; and Willoughby Street/Wawanosh Avenue, from Grandmont Crescent to Pine Street.

#### BACKGROUND

At the May 21, 2019 meeting, Council endorsed the implementation of the two routes mentioned above. As part of the implementation, it was recommended that on-street parking be removed for the entire Queen Street route, as well as a portion of Willoughby Avenue, from approximately 115m east of the Great Northern Road. The removal of on-street parking requires an amendment to Traffic By-law 77-200.

In advance of the May 21, 2019 Council meeting Notice was mailed out to those properties fronting on Queen Street and Willoughby Street that would be impacted by the removal of on-street parking and no comments were received.

It is also recommended to amend the by-law to reflect the existing cycling lanes on Queen Street.

#### ANALYSIS

The following tables are the recommended amendments to Traffic By-law 77-200:

## Active Transportation Infrastructure Implementation – Update to Traffic By-law 77-200

2019 06 17

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	STREET	SIDE	FROM	TO	PROHIBITED TIMES OR DAYS
<b>DELETE:</b>	Queen St East	north	Leo Avenue	Pine Street	0730 hrs. to 1000 hrs. 1230 hrs. to 1730 hrs. Saturday, Sunday and holidays excepted
	Queen St East	north	Leo Avenue	Church Street	any time
	Queen St East	north	30m east of east entrance to Algoma College	30m west of east entrance to Algoma College	any time
	Queen St East	both	west limit of golf course	35m east of Lorna Dr.	any time
	Queen St East	south	Pim Street	Simpson Street	any time
	Queen St East	south	Simpson	Pine Street	1100 hrs. to 1830 hrs. Saturdays, Sundays and holidays excepted
	Queen St East	south	east limit of Civic No. 1785 Queen St	westerly limit of Civic No. 1897 Queen St E.	any time
	Queen St East	south	46m east of Lake St.	46m west of westerly entrance to Bellevue Park	any time
	Queen St East	north	Church St	Pim St	0730 hrs. to 0900 hrs. 1230 hrs. to 1330 hrs.

<b>ADD:</b>					
	Queen St East	north and south	Pim Street	Dacey Road	any time
<b>ADD:</b>					
	Willoughby Street	north and south	Great Northern Road	east limit of 82 Great Northern Road	any time

### **FINANCIAL IMPLICATIONS**

There are no financial implications associated with this amendment. The line painting, pavement markings, and signage associated with the cycling facilities will be funded through the Province's Ontario Commuter Cycling program funds, as well as previously approved City funds.

### **STRATEGIC PLAN / POLICY IMPACT**

The recommendations in this report support the City's Corporate Strategic Plan, by encouraging a robust, active transportation network, enhancing quality of life in the community. The changes to the Traffic By-law also align with the City's Cycling Master Plan.

### **SUMMARY**

The recommendations in this report are consistent with the implementation of the City's Active Transportation strategy, endorsed by Council in May of 2017. If further cycling routes are approved in the future, staff will present additional Traffic By-law amendments, should they be required.

Staff would also like to note that at the May 21 2019 Meeting, Council postponed two additional cycling Routes: Pine Street, from Queen Street to Northern Avenue; and Willow Avenue, from McNabb Street to Northern Avenue. The purpose of the postponement was to accommodate further consultation with the residents directly fronting on both of those streets. An open house is scheduled for these two routes, for Thursday, June 20, 2019. Direct mail-outs were sent to property owners on these streets, and a media release was issued to advise the public of this consultation session. Staff will report back on the results of that open house.

**RECOMMENDATION**

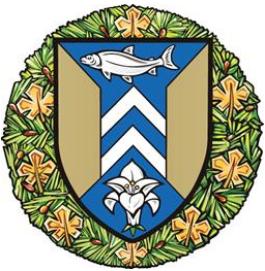
It is therefore recommended that Council take the following action:

Resolved that the report of the Senior Planner, dated 2019 06 17, be accepted, and that Council direct the Legal Department to bring forward the appropriate by-law amendments at a later date.

Respectfully submitted,



Stephen Turco, RPP  
Senior Planner  
705.759.5279  
[s.turco@cityssm.on.ca](mailto:s.turco@cityssm.on.ca)



## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

Date of Council Meeting

**TO:** Mayor Christian Provenzano and Members of City Council

**AUTHOR:** Freddie Pozzebon Chief Building Official & Property Standards Officer

**DEPARTMENT:** Public Works and Engineering Services

**RE:** By-Law Enforcement Officer, Property Standards Inspector Appointment.docx

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#### **PURPOSE**

The purpose of this report is to recommend the appointment of Brant Coulter as By-Law Enforcement Officer.

#### **BACKGROUND**

This position was posted internally and Brant Coulter was the successful candidate.

#### **ANALYSIS**

N/A

#### **FINANCIAL IMPLICATIONS**

There are no further financial implications relating to this appointment. The 2019 Building Division budget includes the expenditures for this position.

#### **STRATEGIC PLAN / POLICY IMPACT**

Within the Corporate Strategic Plan the focus area for Service Delivery will concentrate on the delivery of excellent customer service. The new By-Law Enforcement Officer position was created to allow the City of Sault Ste. Marie to have a proactive & efficient approach to By-Law & Property Standard issues.

#### **RECOMMENDATION**

It is therefore recommended that Council take the following action:

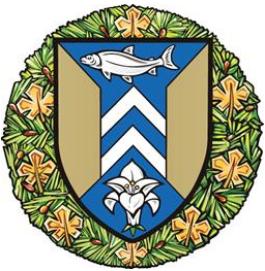
By-Law 2019-137 appears under item #1 of the agenda and will be read with all by-laws under that item.

Respectfully submitted,

Property Standards Compliance Action for Jamestown  
2018 08 13  
Page 2.



Freddie Pozzebon  
Chief building Official & Property  
Standards  
705 541-7151  
[f.pozzebon@cityssm.on.ca](mailto:f.pozzebon@cityssm.on.ca)



## The Corporation of the City of Sault Ste. Marie

### C O U N C I L   R E P O R T

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Carl Rumiel, Manager of Design and Transportation Engineering  
**DEPARTMENT:** Public Works and Engineering Services  
**RE:** Miscellaneous Paving – Contract 2019-9E

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#### **PURPOSE**

The purpose of this report is to obtain approval to award Contract 2019-9E. The work generally consists of supplying all materials, labour and equipment necessary for the resurfacing of Allen's Side Road from Second Line West to Base Line, Grosvenor Avenue from Bruce Street to Trelawne Avenue, Queen Street from Lorna Drive to Kerr Drive, Pim Street from Summit Avenue to McDonald Avenue, Chapple Avenue from Willow Avenue to Allard Street, Manitou Drive from McNabb Street to Anna Street and Surface Treatment of various locations within the Municipality of Sault Ste. Marie and Prince Township.

#### **BACKGROUND**

Tenders received for Contract 2019-9E were opened at a public meeting Wednesday, June 5, 2019 in the Steelton Room of the Civic Centre. Present at the opening was Deputy Clerk Rachel Tyczinski as well as City staff and contractor representatives.

#### **ANALYSIS**

Only one (1) tender was received and was found to be complete and free of errors. The low tender of \$3,627,314.60 (excluding HST) was received from Ellwood Robinson Incorporated.

#### **FINANCIAL IMPLICATIONS**

When the Prince Township costs are removed and an allowance for non-recoverable HST is added, the City's cost to complete this project is projected to be \$3,406,241. This is slightly above the allocation in the 2019 capital budget of \$3,390,000.

However, at the June 3, 2019 meeting of Council, it was approved that \$600,000 of the Special 2019 Gas Tax funds previously allocated to miscellaneous paving be redirected to the Bay Street project in order to cover overruns on that contract. Therefore, the sections of Contract 2019-9E containing Chapple Avenue and Grosvenor Avenue shall be deleted from this contract resulting in a revised tender value of \$2,815,343.40 (incl HST) which is still slightly above the remaining 2019 allocation for Miscellaneous Paving of \$2,790,000.

This contract does contain a contingency allowance and provisional items which often are unspent. Staff will monitor the project budget closely to ensure completion is done within the remaining 2019 allocation.

**STRATEGIC PLAN / POLICY IMPACT**

This report is linked to the new infrastructure focus area of the strategic plan.

**RECOMMENDATION**

It is therefore recommended that Council take the following action:

Resolved that the report of the Manager of Design and Transportation Engineering, dated 2019 06 17, concerning the Miscellaneous Paving Contract, be received and the recommendation that Contract 2019-9E be awarded to Ellwood Robinson Incorporated; further that Chapple Avenue and Grosvenor Avenue be removed from the contract and that Part H(2) – Surface Treatment in Prince Township be removed from the contract be approved.

By-law 2019-138 authorizing execution of Contract 2019-9E appears elsewhere on the Agenda and is recommended for approval.

Respectfully submitted,



Carl Rumiel, P. Eng.  
Manager, Design & Transportation  
Engineering  
705.759.5379  
[c.rumiel@cityssm.on.ca](mailto:c.rumiel@cityssm.on.ca)

**CORPORATION OF THE CITY OF SAULT STE. MARIE**

**CONTRACT 2019-9E**

**FORM OF AGREEMENT**

This Agreement made (in triplicate) this 17<sup>th</sup> day of June in the year 2019 by and between  
Ellwood Robinson Inc., hereinafter called the "Contractor"

AND

The Municipal Corporation of the City of Sault Ste. Marie, Ontario hereinafter called the "Corporation".

WITNESSETH: That the Contractor and the Corporation undertake and agree as follows:

1. The Contractor will provide all the materials and all the works shown and described in the contract documents entitled:

**MISCELLANEOUS PAVING**  
**CONTRACT 2019-9E**

Which have been signed in triplicate by both parties and which were prepared under the supervision of Don Elliott, P. Eng, Director of Engineering acting as and herein entitled, the Owner.

2. The Contractor will do and fulfill everything indicated by the Agreement, the General Conditions, the Specifications, the Special Provisions and the Drawings.
3. The Contractor will complete all the work to the entire satisfaction of the Owner within the period of time specified.
4. The Corporation shall pay to the Contractor the contract price as set forth in the Form of Tender in accordance with the provisions as set forth in the General Conditions and the Special Provisions. The quantities contained in the Form of Tender are approximate only and the final payment shall be made for the actual quantities that are incorporated in or made necessary by the work covered by the contract.
5. The Corporation shall pay the Contractor for work that is ordered in writing by the Owner and that cannot be classified as coming under any of the contract units and for which no unit price, lump sum, or other basis can be agreed upon, on a time and material basis as set out in the General Conditions.
6. The Contractor shall completely indemnify and save harmless the Owner, its employees, officers and agents from any and all claims, demands, actions, losses, expenses, costs or damages of every kind and nature whatsoever and howsoever caused that the Client, its employees, officers or agents may sustain or suffer as a consequence of the actions, inactions or omissions of the Contractor, its employees, agents or officers or as a result of the performance of this Agreement by the Contractor, its employees, agents or officers or as a consequence of the negligent actions or inactions of the Contractor, its employees, agents or officers whether or not the Client is partially or wholly responsible for such claims, demands, actions, losses, expenses, costs or damages.
7. The Contractor shall also indemnify The Public Utilities Commission of the City of Sault Ste. Marie, PUC Distribution Inc. and PUC Services Inc., its officers, employees, agents and affiliates, from all loss, damages, costs, charges and expenses of every nature and kind whatsoever which may be made or brought against The Public Utilities Commission of the City of Sault Ste. Marie, PUC Distribution Inc. and/or PUC Services Inc., its officers, employees, agents and affiliates, by reason

or in consequent of the execution and performance or maintenance of the work by the Contractor, its employees, agents, officers, or those for whom at law the Contractor is responsible.

8. All communications in writing between the Corporation, the Contractor and the Owner shall be deemed to have been received by the Addressee if delivered to the individual, a member of the firm or an officer of the Corporation for whom they are intended or if sent by post or by facsimile as follows:

**THE CORPORATION:** The Corporation of the City of Sault Ste. Marie  
Civic Centre, 99 Foster Drive  
Sault Ste. Marie, ON P6A 5X6

**THE CONTRACTOR:** Ellwood Robinson Inc.  
2075 Great Northern Road  
Sault Ste. Marie, ON P6A 5K7  
Facsimile: 705-945-8237

**THE OWNER:** Mr. Don Elliott, P. Eng.  
Director of Engineering  
Civic Centre, 99 Foster Drive  
Sault Ste. Marie, ON P6A 5X6  
Facsimile 705-541-7165

IN WITNESS WHEREOF the parties hereto have executed this Agreement by the day and year first above written.

Signed, Sealed and Delivered  
in the presence of

**THE CORPORATION OF THE CITY OF SAULT STE. MARIE**

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MAYOR - CHRISTIAN PROVENZANO

(seal)

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CITY CLERK – MALCOLM WHITE

**THE CONTRACTOR**

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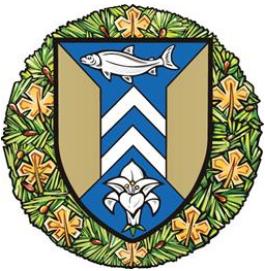
ELLWOOD ROBINSON INC.

COMPANY NAME

(seal)

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SIGNATURE



## The Corporation of the City of Sault Ste. Marie

### COUNCIL REPORT

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Susan Hamilton Beach, Director of Public Works  
**DEPARTMENT:** Public Works and Engineering Services  
**RE:** Concrete Curb and Sidewalk Program – 2019

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#### PURPOSE

The purpose of this report is to inform Council of the proposed 2019 curb and sidewalk program.

#### BACKGROUND

Each year the program is reported to Council for their information. This year it is proposed that the program include approximately 1398 square meters of sidewalk, 622 linear metres of curb and 11 accessibility ramps to improve curbs and sidewalks. Attached is the listing of the 2019 locations. The program represents approximately 0.11% of the curb inventory and 0.30% of the sidewalks maintained by the City. The budget for this program is \$463,917.

#### ANALYSIS

Typically, each year, the program has been compiled from requests from Councillors, residents and staff. Budgetary constraints allow for a limited amount of work to be undertaken each year. It is necessary to prioritize the requests and normally not all requests can be accommodated.

#### FINANCIAL IMPLICATIONS

The proposed program maximizes the assigned operational budget for curb and sidewalk program. The budget for this program is \$463,917.

#### STRATEGIC PLAN / POLICY IMPACT

The sidewalk and curb repair program is linked to the Asset Management, Maintaining Existing Infrastructure component of the Corporate Strategic Plan.

#### RECOMMENDATION

It is therefore recommended that Council take the following action:

Resolved that the report of the Director of Public Works dated 2019 06 17 concerning the Public Works 2019 curb and sidewalk program, be received as information.

Concrete Curb and Sidewalk Program – 2019

2019 06 17

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Respectfully submitted,



Susan Hamilton Beach, P. Eng.  
Director of Public Works  
705.759.5207  
[s.hamiltonbeach@cityssm.on.ca](mailto:s.hamiltonbeach@cityssm.on.ca)

Attach.

## 2019 Curb and Sidewalk Program

STREET NAME	CIVIC ADDRESS
ALBERT ST. WEST	615
BEAUMONT AVENUE	71
BIRCH STREET	33
BOEHMER BLVD.	49
BRETON ROAD	134
BRETON ROAD	102
BRETON ROAD	78
BROADVIEW DRIVE	32
CALEDON STREET	170
CAMBRIDGE PLACE	15
CAMBRIDGE PLACE	21
<b>CAMBRIDGE PLACE</b>	<b>1</b>
CHARLES STREET	422
CHARLES STREET	422
CHARLOTTE DRIVE	15
CHURCHILL BLVD.	60
COUNTRY CLUB PLACE	83
CRAWFORD AVENUE	11
CUNNINGHAM ROAD	92
CUNNINGHAM ROAD	132
DOUGLAS STREET	293
DOUGLAS STREET	603
DOUGLAS STREET	515
ELIZABETH STREET	356
ELMWOOD AVENUE	71
ELMWOOD AVENUE	7
ESTELLE STREET	115
FAIRMONT DRIVE	95
<b>FARWELL TERRACE</b>	<b>404</b>
<b>FARWELL TERRACE</b>	<b>400</b>
FARWELL TERRACE	416
FARWELL TERRACE	424
FLORWIN AVENUE	163
FLORWIN AVENUE	3
GOULAIIS AVENUE	636
GOULAIIS AVENUE	396
GOULAIIS AVENUE	406
GRAND BLVD.	200
HEATH ROAD	2
HIGHCREST STREET	5
HIGHCREST STREET	9
HUGILL STREET	128
HUNTINGTON PARK	64
HURON STREET	300
INDIANA DRIVE	23
INDIANA DRIVE	76

## 2019 Curb and Sidewalk Program

STREET NAME	CIVIC ADDRESS
IRWIN AVENUE	60
KERR DRIVE	27
KERR DRIVE	19
KERR DRIVE	27
KORAH ROAD	530
<b>KORAH ROAD</b>	<b>706</b>
LAKE STREET	1041
LAKE STREET	1101
LASALLE COURT	123
LAURA STREET	41
LAURA STREET	37
MAPLE STREET	179
MARCONI STREET	123
MARK STREET	79
MCMEEKEN STREET	35
MEADOW PARK CRESENT	55
MILLENIUM COURT	2028
<b>MOLUCH STREET</b>	<b>78</b>
NORTH STREET	422
NORTH STREET	890
NORTH STREET	959
NORTH STREET	691
NORTH STREET	618
NORTHERN AVENUE	446
OAKWOOD DRIVE	61
ONTARIO AVENUE	519
OREGON ROAD	59
PAGEANT DRIVE	70
PARKDALE DRIVE	63
PARTRIDGE COURT	15
PATRICK STREET	304
PINE STREET	106
PLACID AVENUE	517
POND STREET	28
PROMENADE DRIVE	200
QUEEN STREET	1206
QUEEN STREET	1184
QUEEN STREET	1178
REID STREET	214
REID STREET	220
RIVERVIEW AVENUE	55
SALISBURY AVENUE	8
SECOND LINE WEST	152
SECOND LINE WEST	436
SECOND LINE WEST	631

## 2019 Curb and Sidewalk Program

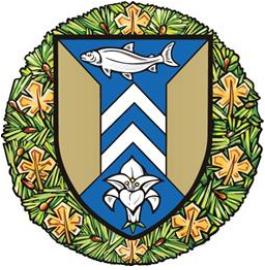
STREET NAME	CIVIC ADDRESS
SHAVER AVENUE	599
SHAVER AVENUE	599
<b>SMALE AVENUE</b>	<b>43</b>
<b>SMALE AVENUE</b>	<b>55</b>
<b>SMALE AVENUE</b>	<b>75</b>
ST. GEORGES AVENUE	171
ST. GEORGES AVENUE	177
STANLEY STREET	162
SUMMIT AVENUE	17
SUMMIT AVENUE	54
SUMMIT AVENUE	47
SUMMIT AVENUE	39
TASKAR DRIVE	109
<b>TEXAS AVENUE</b>	<b>9</b>
THIRD AVENUE	487
THIRD AVENUE	431
THIRD AVENUE	391
THIRD AVENUE	417
TRUNK ROAD	129
TRUNK ROAD	129
WALNUT STREET	201
<b>WAWANOSH AVENUE</b>	<b>112</b>
<b>WAWANOSH AVENUE</b>	<b>122</b>
WELDON AVENUE	11
WELDON AVENUE	11
WELLINGTON ST. EAST	1573
WELLINGTON ST. EAST	1565
WELLINGTON ST. EAST	445
WELLINGTON ST. EAST	441
WELLINGTON ST. EAST	437
WELLINGTON ST. EAST	488
WELLINGTON ST. WEST	606
WELLINGTON ST. WEST	644
WELLINGTON ST. WEST	597
WELLINGTON ST. WEST	624
WELLINGTON ST. WEST	606
WELLINGTON ST. WEST	644
WESTRIDGE ROAD	157
WESTRIDGE ROAD	27
WHITE OAK DRIVE	48
WHITE OAK DRIVE	121
WILCOX AVENUE	90
WILSON STREET	346
WINDSOR STREET	14
WINDSOR STREET	26
WINDSOR STREET	21

## 2019 Curb and Sidewalk Program

STREET NAME	CIVIC ADDRESS
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### PROGRAM TOTALS

Sidewalk Lengths	1397.75 Square Metres
Curb Lengths	622.4 Linear Metres
Accessibility Ramps	<i>11 - Highlighted in red italics</i>



## The Corporation of the City of Sault Ste. Marie

### COUNCIL REPORT

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Andy Starzomski, Manager of Traffic and Communications  
**DEPARTMENT:** Public Works and Engineering Services  
**RE:** White Oak Drive – Parking Prohibitions

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#### PURPOSE

To modify the current parking prohibitions on the north side of White Oak Drive between North Street and Sackville Road.

#### BACKGROUND

The current parking prohibition was last reviewed in 1990, which stated the parking prohibition that is currently in place on the north side of White Oak Drive between North Street and Sackville Road should be maintained. The current parking prohibition prohibits parking any time.

#### ANALYSIS

The industrial activity on White Oak Drive has changed since 1990. Most daily business activity on White Oak Drive ends around 6:00 pm. After 6:00 pm other activities such as health and wellness activities begin and this is an active vibrant area. The current parking prohibitions restrict access to this area.

As most of the industrial type of work and traffic movements are removed from this area by 6:00 pm the safety concerns with the movement of these larger vehicles is also removed. As a result of this, a modification to the parking prohibition is being sought.

#### Modify By-law 77-200 Schedule - A

##### Current

STREET	SIDE	FROM	TO	TIMES OR DAYS
White Oak Drive	North	North Street	Sackville Road	any time

White Oak Drive – Parking Prohibition

2019 06 17 - Date of Council Meeting

Page 2.

Revised

STREET	SIDE	FROM	TO	TIMES OR DAYS
White Oak Drive	North	North Street	Sackville Road	0800 hrs to 1800 hrs Monday - Friday

**FINANCIAL IMPLICATIONS**

The current signage will be replaced under the Traffic Division Sign Shop budget – regular maintenance.

**STRATEGIC PLAN / POLICY IMPACT**

This is linked to Quality of Life in our Strategic Plan. By working with the health and wellness businesses in the area, add to the Quality of Life in our community.

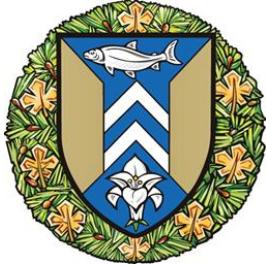
**RECOMMENDATION**

It is therefore recommended that Council take the following action:

Resolved the report of the Manager of Traffic and Communications dated 2019 06 17 concerning the parking prohibition on the north side of White Oak Drive be received and Council direct legal to draft the appropriate bylaw modifications to bylaw 77-200 Schedule-A to be brought back to council at a later date.

Respectfully submitted,

Andy Starzomski  
Manager of Traffic and  
Communications  
705.541-7000  
[al.starzomski@cityssm.on.ca](mailto:al.starzomski@cityssm.on.ca)



## The Corporation of the City of Sault Ste. Marie

June 17, 2019

**TO:** Mayor Christian Provenzano and Members of City Council  
**AUTHOR:** Tom Vair, Deputy CAO, Community Development and Enterprise Services  
**DEPARTMENT:** Community Development and Enterprise Services  
**RE:** Community Art Project-Bruce Street Parking Lot Closure Request

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### PURPOSE

The purpose of the report is to seek Council's approval to use the Bruce Street Parking Lot for a mural unveiling and Downtown Association Block Party on June 26<sup>th</sup> from 3pm to 7pm.

### BACKGROUND

A partnership between FutureSSM and the Sault Ste. Marie Downtown Association (DTA), for the Downtown Mural Project 2019 consists of five large-scale murals in the downtown core to support and coordinate with downtown revitalization initiatives.

The purpose of the mural project is three-fold:

1. Murals will increase Sault Ste. Marie's cultural vitality by introducing more art into the public sphere; public art initiatives allow for creative expression without cost barriers and promote a sense of identity and community. By connecting artists, businesses, government agencies and non-profit organizations in this collaborative, creative project, the development of murals themselves can advance the arts & culture sector in our community.
2. Murals create destinations resulting in increased foot traffic, while adding colour, vibrancy and character to an urban environment. A more vibrant downtown will attract more locals and tourists alike, who shop at local stores and eat at local restaurants, thereby supporting economic development in Sault Ste. Marie.
3. Finally, through the development of youth-oriented curriculum, the mural project will provide students in the community with opportunities for experiential learning and mentorship. FutureSSM is working with Batchewana First Nation, Algoma District School

## Community Art Project-Bruce Street Parking Lot Closure Request

2019 06 17

Page 2.

Board, Global Friends, Sault College, Algoma University, and others to involve youth in this process. The process will also provide the opportunity for local artists to connect with youth in a mentorship roll, connecting emerging and established arts practitioners.

On June 26<sup>th</sup>, 2019 the DTA and FutureSSM will be celebrating the unveiling of a mural by Patrick Hunter. Patrick Hunter is an Ojibway artist/graphic designer from Red Lake, Ontario and a graduate of Sault College.

Patrick is a new member to the Canadian Gay & Lesbian Chamber of Commerce family, which has led to partnerships with RBC, BMO, STAPLES Canada and Redwood Classics apparel. He is also the artist in residence to the Princes Trust Canada, which is a charity that operates to expand Indigenous language retention in Canada. His scarf collections have been purchased as gifts entities like Global Affairs Canada, and in 2016 was selected by web giant eBay Canada to do an apparel collection with proceeds from sales going to Indigenous charities. Whenever home in Red Lake, Patrick makes it a point to teach art classes to various schools in the area and maybe inspire the next generation of Woodland artists to answer the call of the art world.

Staff have reviewed and support the request to close the lot for the day. Applicable barricading and or pylons will be put into place to prevent traffic flow to ensure public safety.

There is nearby available parking at the King St. /Albert lot for immediate business needs as well as at the GFL Memorial Gardens as well as on street parking available on Queen St.

### **FINANCIAL IMPLICATIONS / POLICY IMPACT**

There are 22 spaces in the Bruce St. lot that will be impacted during this timeframe. However the financial impact is expected to be nominal for the one (1) day request.

### **STRATEGIC PLAN / POLICY IMPACT**

The recommendation supports the focus area of the Community Strategic Plan for 2016-2020 by Developing Partnerships with our Key Stakeholders and collaboration with community partners, which is essential to success.

Community Art Project-Bruce Street Parking Lot Closure Request

2019 06 17

Page 3.

**RECOMMENDATION**

It is therefore recommended that Council approve the use of the Bruce Street Parking Lot for the Mural unveiling and DTA street party on June 26<sup>th</sup>, 2019 3pm -7pm.

Resolved that the report of the Deputy CAO, – Community Development & Enterprise Services dated 2019 06 17 concerning the closure of the Bruce St. Parking lot be approved.

Respectfully submitted,



Tom Vair

Deputy CAO of Community Development and Enterprise Services

705.759.5264

t.vair@cityssm.on.ca

## **RESOLUTION OF THE SHAREHOLDER OF PUC INC.**

### **Financial Statements**

**BE IT RESOLVED THAT** the financial statements of PUC Inc. (the Corporation) for the fiscal year ended on December 31st, 2018, together with the report of the auditors thereon, as placed before the undersigned, are hereby approved.

### **Appointment of Auditors**

**BE IT RESOLVED THAT** the firm of KPMG LLP, Chartered Accountants, is hereby appointed Auditor of the Corporation until the close of the next annual meeting of the shareholder or until their successors are duly appointed at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.

### **Election of Directors**

**BE IT RESOLVED THAT** the following persons, each resident Canadians, are hereby elected directors of the corporation, to hold office until the **close of the third annual meeting** of the shareholder following their election or until their successors have been duly elected or appointed, subject to the provisions of the Corporation's by-laws and the Ontario Business Corporations Act:

Jim Rennie  
Carla Fabbro  
Elaine Pitcher  
Andy McPhee

The undersigned being the sole Shareholder of the Corporation hereby signs each and every one of the foregoing resolutions pursuant to the provisions of the Ontario Business Corporations Act.

**Dated this 17th day of June, 2019**

**The Corporation of the City of Sault Ste. Marie**

Per: \_\_\_\_\_  
Christian Provenzano, Mayor

Per: \_\_\_\_\_  
Malcolm White, City Clerk

**RESOLUTION OF THE SHAREHOLDER OF  
PUC SERVICES INC.**

**Financial Statements**

**BE IT RESOLVED THAT** the financial statements of PUC Services Inc. (the Corporation) for the fiscal year ended on December 31st, 2018, together with the report of the auditors thereon, as placed before the undersigned, are hereby approved.

**Appointment of Auditors**

**BE IT RESOLVED THAT** the firm of KPMG LLP, Chartered Accountants, is hereby appointed Auditor of the Corporation until the close of the next annual meeting of the shareholder or until their successors are duly appointed at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.

**Election of Directors**

**BE IT RESOLVED THAT** the following persons, each resident Canadians, are hereby elected directors of the corporation, to hold office until the close of the third annual meeting of the shareholder following their election or until their successors have been duly elected or appointed, subject to the provisions of the Corporation's by-laws and the Ontario Business Corporations Act:

Jim Rennie  
Carla Fabbro  
Elaine Pitcher  
Andy McPhee

The undersigned being the sole Shareholder of the Corporation hereby signs each and every one of the foregoing resolutions pursuant to the provisions of the Ontario Business Corporations Act.

**Dated this 17<sup>th</sup> day of May, 2019**

**The Corporation of the City of Sault Ste. Marie**

Per: \_\_\_\_\_  
Christian Provenzano, Mayor

Per: \_\_\_\_\_  
Malcolm White, City Clerk

Non-Consolidated Financial Statements of

**PUC INC.**

Year ended December 31, 2018



KPMG LLP  
111 Elgin Street, Suite 200  
Sault Ste. Marie ON P6A 6L6  
Canada  
Telephone (705) 949-5811  
Fax (705) 949-0911

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of PUC Inc.

### ***Opinion***

We have audited the accompanying non-consolidated financial statements of PUC Inc. (the Company), which comprise:

- the non-consolidated statement of financial position as at December 31, 2018
- the non-consolidated statement of comprehensive income for the year then ended
- the non-consolidated statement of changes in shareholders' equity for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the non-consolidated financial position of PUC Inc. as at December 31, 2018, and its non-consolidated financial performance, and its non-consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Emphasis of Matter – Basis of Preparation***

We draw attention to Note 2 to the financial statements which describes the basis of preparation used in these financial statements.

The financial statements are prepared for income tax and shareholder purposes.

Our opinion is not modified in respect of this matter.

### ***Responsibilities of Management and Those Charged with Governance for the Non-Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditors' Responsibility for the Audit of the Non-Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



Page 3

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



A handwritten signature in black ink that reads "KPMG LLP". A thin horizontal line is drawn underneath the signature, and a slightly thicker horizontal line is drawn across the bottom of the signature.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario

April 3, 2019

# PUC INC.

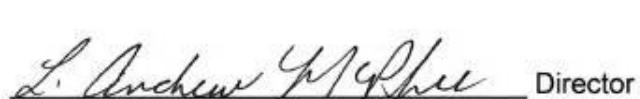
## Non-Consolidated Statement of Financial Position

As at December 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Accounts receivable	\$ 1,975	\$ 1,911
Receivable from subsidiary, PUC Services Inc. (note 9)	6,330,987	7,496,036
Payment in lieu of taxes recoverable	4,288	24,330
Total current assets	6,337,250	7,522,277
Non-current assets:		
Investments (note 5)	5,331	5,331
Notes receivable from related company (note 4)	8,310,000	8,310,000
Investments in and notes receivable with subsidiaries, at cost (note 6)	46,596,146	46,596,146
Total non-current assets	54,911,477	54,911,477
Total Assets	\$ 61,248,727	\$ 62,433,754
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25	\$ -
Long-term debt (note 7)	31,720,000	31,720,000
Total liabilities	31,720,025	31,720,000
Shareholder's equity:		
Share capital:		
Authorized:		
Unlimited Special shares, non-voting, non-cumulative, redeemable at \$10,000 per share		
100,000 Common shares		
Issued and outstanding:		
1,462 Special shares	14,620,000	14,620,000
21,632 Common shares	14,618,248	14,618,248
Retained earnings	290,454	1,475,506
	29,528,702	30,713,754
Total Liabilities and Shareholder's Equity	\$ 61,248,727	\$ 62,433,754

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

 Director

 Director

# PUC INC.

## Non-Consolidated Statement Comprehensive Income

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
<b>Revenue:</b>		
Interest	\$ 2,281,626	\$ 2,239,260
<b>Expenses:</b>		
Interest on long-term debt	1,934,920	1,934,920
Administrative	105,236	117,071
<u>Business development</u>	<u>192,217</u>	<u>141,634</u>
	2,232,373	2,193,625
Income before payment in lieu of taxes	49,253	45,635
Payment in lieu of taxes (note 8)		
Current	14,145	20,751
<b>Net income, being total comprehensive income for the year</b>	<b>\$ 35,108</b>	<b>24,884</b>

See accompanying notes to non-consolidated financial statements.

# PUC INC.

## Non-Consolidated Statement of Changes in Shareholders' Equity

Year ended December 31, 2018, with comparative information for 2017

	Share Capital	Retained Earnings	Total
Balance, January 1, 2017	\$ 29,238,248	1,450,622	\$ 30,688,870
Net income, being total comprehensive income	-	24,884	24,884
Balance, December 31, 2017	29,238,248	1,475,506	30,713,754
Net income, being total comprehensive income	-	35,108	35,108
Dividends on common shares	-	(1,220,160)	(1,220,160)
Balance, December 31, 2018	\$ 29,238,248	290,454	\$ 29,528,702

See accompanying notes to non-consolidated financial statements.

# PUC INC.

## Non-Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
<b>Cash flows from operating activities:</b>		
Net income, being total comprehensive income	\$ 35,108	\$ 24,884
<b>Changes in non-cash operating working capital items:</b>		
Accounts receivable	(64)	(28)
Payment in lieu of taxes recoverable	20,042	2,289
<u>Account payable and accrued liabilities</u>	<u>25</u>	<u>(4,767)</u>
	55,111	22,378
<b>Cash flows from financing activities:</b>		
Dividends on common shares	(1,220,160)	-
<b>Cash flows from investing activities:</b>		
Receivable from subsidiary, PUC Services Inc.	1,165,049	(22,378)
<b>Cash, beginning and end of year</b>	\$ -	\$ -
<b>Supplemental cash flow information:</b>		
Cash paid during the year for interest	\$ 1,934,920	\$ 1,934,920
Cash received during the year for interest	2,281,626	2,239,260

See accompanying notes to non-consolidated financial statements.

# PUC INC.

## Notes to Non-Consolidated Financial Statements

Year ended December 31, 2018

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### **1. Reporting entity:**

PUC Inc. (the "Company"), is incorporated under the Ontario Business Corporations Act and a successor of the former City of Sault Ste. Marie Public Utilities Commission Electric Utility. The Company's head office is located at 500 Second Line East Sault Ste. Marie, Ontario.

### **2. Basis of preparation:**

#### (a) Statement of compliance:

The non-consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

These non-consolidated financial statements have been authorized for issue by the Board of Directors on April 3, 2019.

#### (b) Basis of measurement:

The non-consolidated financial statements have been prepared on the historical cost basis, except for the following:

- Derivative instruments, if any, are measured at fair value.

#### (c) Functional and presentation currency:

These non-consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

#### (d) Use of estimates and judgments:

The preparation of the non-consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year are included in note 13.

# PUC INC.

## Notes to Non-Consolidated Financial Statements

Year ended December 31, 2018

---

### **3. Significant accounting policies:**

The accounting policies set out below have been applied consistently to all periods presented in these non-consolidated financial statements.

#### **(a) Payment in lieu of taxes:**

As a municipally owned Company holding an investment in a municipal utility, the Company is exempt from corporate income and capital taxes. However, under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate income and capital taxes to Ontario Electricity Financial Company ("OEFC"). These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Company's Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

The Company uses the asset and liability method of accounting for payment in lieu of income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

#### **(b) Interest income and expense:**

Interest income and expense are recognized in the non-consolidated statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to its fair value at inception. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received and transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

#### **(c) Investment in subsidiaries:**

The investment in subsidiaries, which is a non-marketable equity investment and not traded on an active market, is measured at amortized cost and recorded at cost.

Prior to January 1, 2018, the investment in subsidiaries was classified as available for sale for financial instrument purposes and was recorded at cost.

#### **(d) Investments:**

Investments are recorded at fair value through profit and loss unless the investment is measured as amortized cost. Any gains and losses on disposal of investments are recorded in the year they occur and are included in other investment income in the Non-Consolidated Statement of Comprehensive Income.

Prior to January 1, 2018, investments were recorded at fair value unless the investment was designated as Loans and Receivables.

# PUC INC.

## Notes to Non-Consolidated Financial Statements

Year ended December 31, 2018

---

### 3. Significant accounting policies (continued):

#### (e) Financial instruments:

##### i) Financial assets and liabilities:

All financial assets and liabilities under IAS 39 were classified as loans and receivables and all financial liabilities were classified as other liabilities. These financial instruments were recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets. Upon transition to IFRS 9 all financial assets and liabilities are classified as amortized cost. The Company does not enter into derivative instruments.

##### ii) Share capital:

###### Common shares:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

###### Special shares:

Special shares are classified as equity. Incremental costs directly attributable to the issue of special shares are recognized as a deduction from equity, net of any tax effects.

#### (f) Changes in accounting policies:

Effective January 1, 2018, the Company has adopted new IFRS standards and applied the following new accounting policies in preparing the financial statements.

##### i) Revenue from contracts with customers:

In May 2014, the IASB issued IFRS 15 effective for annual periods beginning on or after January 1, 2018, which replaced existing revenue recognition guidance, including IAS 18 Revenue and IFRIC 18 Transfers of Assets from Customers. IFRS 15 contains a five step model that applies to contracts with customers that specifies that revenue is recognized when or as an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized at a point in time or over time.

There has been no significant impact to the financial statements with the adoption of IFRS 15.

##### ii) Financial instruments:

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ["IFRS 9"] effective for annual periods beginning on or after January 1, 2018, which replaced IAS 39 Financial Instruments: Recognition and Measurement ["IAS 39"]. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for measuring impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company adopted IFRS 9 retrospectively on January 1, 2018. Despite the retrospective adoption of IFRS 9, the Company is not required, upon initial application, to restate comparatives.

# PUC INC.

## Notes to Non-Consolidated Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (f) Changes in accounting policies (continued):

##### ii) Financial instruments (continued):

###### a) Classification and measurement of financial instruments:

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The adoption of IFRS 9 has not had a significant effect on the Company's classification and measurement of financial instruments.

###### b) Impairment of financial assets:

Loss allowances for accounts receivable and unbilled revenue are always measured at an amount equal to lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, adjusted for forward-looking factors specific to the current credit environment.

The Company assumes that credit risk on a financial asset has increased if it is more than 30 days past due date.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company, such as realizing security (if any is held).

If the amount of impairment loss subsequently decreases due to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through net income.

# PUC INC.

## Notes to Non-Consolidated Financial Statements

Year ended December 31, 2018

---

### 3. Significant accounting policies (continued):

#### (g) New standards and interpretations not yet effective:

The following new standards and interpretations are not yet effective but are considered to be relevant to the Company's non-consolidated financial statements:

##### i. IFRS 16 Leases:

In January 2016, the IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation and disclosures of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS17 and it is effective for annual periods beginning on or after January 1, 2019. The Company is not expecting a significant impact of IFRS 16 on its results of operations, financial position and disclosures.

### 4. Notes receivable from related company:

	2018	2017
Note receivable from PUC Services Inc., unsecured, bears interest at 7.62% per annum and is receivable one year after demand	\$ 6,990,000	6,990,000
Note receivable from PUC Services Inc., unsecured and without interest and is receivable one year after demand	1,320,000	1,320,000
	<hr/> \$ 8,310,000	<hr/> 8,310,000

### 5. Investments:

On January 9, 2016, the Company purchased 1 Class A share and 33,058 Class B shares of Customer First Inc, an incorporated entity in Ontario, representing 21% equity interest. The investment is carried at cost.

### 6. Investment in and notes receivable with subsidiary:

	2018	2017		
	Notes Receivable	Common Shares	Total	Total
PUC Distribution	\$ 26,534,040	\$ 20,062,106	\$ 46,596,146	\$ 46,596,146

The note receivable from PUC Distribution Inc. bears interest at 6.1%, is unsecured and is repayable on the year after demand. In 2018, the Company received interest income on this note receivable from PUC Distribution in the amount of \$1,618,575 (2017 - \$1,618,575).

# PUC INC.

## Notes to Non-Consolidated Financial Statements

Year ended December 31, 2018

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### 7. Long-term debt:

	2018	2017
Note payable to shareholder. The Company of the City of Sault Ste. Marie, unsecured, with 6.1% (2017 - 6.1%) interest payable quarterly and principal payable one year after demand	\$ 6,720,000	6,720,000
Note payable to shareholder. The Company of the City of Sault Ste. Marie, unsecured, with interest payable quarterly at rates periodically negotiated and principal payable one year after demand, rate for 2018 was 6.1% (2017 – 6.1%)	25,000,000	25,000,000
	<b>\$ 31,720,000</b>	<b>31,720,000</b>

### 8. Payment in lieu of taxes:

Payment in lieu of taxes differs from the amount that would be computed by applying the federal and provincial statutory tax rates of 26.5% (2017 - 26.5%) to earnings before income taxes. The reasons for the differences and related tax effects are as follows:

	2018	2017
Earnings before payment in lieu of taxes	\$ 49,253	45,635
Tax at applicable tax rate	\$ 13,052	12,093
Other	1,093	8,658
Payment in lieu of taxes - current	<b>\$ 14,145</b>	<b>20,751</b>

# PUC INC.

## Notes to Non-Consolidated Financial Statements

Year ended December 31, 2018

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### 9. Related party transactions:

The following entities are related parties to the Company:

- The Company of the City of Sault Ste. Marie (City) - 100% shareholder of PUC Inc.
- PUC Distribution Inc. (Distribution) - 100% owned by PUC Inc.
- PUC Services Inc. (Services) - 100% owned by the Company of the City of Sault Ste. Marie.
- Public Utilities Commission of the City of Sault Ste. Marie (Utility) - 100% owned by the Company of the City of Sault Ste. Marie.

The Company has a management, operations and maintenance agreement with Services until November 30, 2022 under which PUC Services Inc. manages, controls, administers and operates the business of the Company.

The Company receives interest income on its receivable balance from Services at the Ontario Energy Board Deemed Rate on its average monthly balance. Interest of \$130,412 (2017 - \$88,046) was received during the year. The Company receives interest income on its notes receivable from Services. Interest of \$532,638 (2017 - \$532,638) was received during the year.

The Company receives interest income on its note receivable balance from Distribution which bears interest at a rate of 6.1% (2017 - 6.1%). Interest of \$1,618,576 (2017 - \$1,618,576) was received during the year. The note is unsecured and is repayable one year after demand. There has been no demand on the note at December 31, 2018.

The Company has purchased services relating to business development costs from Services in the amount of \$192,217 (2017 - \$141,634). The Company incurred interest of \$1,934,920 (2017 - \$1,934,920) payable to its shareholder. The Company paid a dividend of \$1,220,160 (2017 - \$Nil) to its shareholder.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties.

### 10. Contingency:

In 2007, the Ontario Provincial Government proposed amendments affecting the calculation of payments-in-lieu (PILs) for municipal electricity utilities. The Company has determined the proposed amendments are not substantively enacted. The proposed amendments will limit the allowable interest based on the regulatory deemed debt rate and debt to equity ratio. Interest paid to municipalities, after March 27, 2007, in excess of the allowable amounts will not be deductible in calculating PILs. The Company has determined these proposed amendments will result in incremental PILs totaling approximately \$180,000 for the period from March 28, 2007 to December 31, 2008. The incremental PILs, if any, will be recorded in the period the proposed amendments become enacted.

# PUC INC.

## Notes to Non-Consolidated Financial Statements

Year ended December 31, 2018

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### **11. Fair value of financial instruments:**

The carrying value of accounts receivable approximate fair value because of the short maturity of these instruments.

It is not practicable to determine the fair values of the investment in subsidiaries, notes receivable from related company, receivable from subsidiaries and notes payable as the companies are not publicly traded and the notes payable have no principal repayment terms.

### **12. Capital disclosures:**

The Company's objective with respect to its capital structure is to maintain effective access to capital on an ongoing basis at reasonable rates while achieving appropriate rates of financial return for its shareholder.

The Company considers its capital structure to consist of shareholder's equity and notes payable held by the Company's shareholder which has been outlined below.

	2018	2017
Note payable to shareholder – 6.1% (2017 - 6.1%)	\$ 6,720,000	6,720,000
Note payable to shareholder – 6.1% (2017- 6.1%)	25,000,000	25,000,000
Special shares	14,620,000	14,620,000
Common shares	14,618,248	14,618,248
Retained earnings	290,454	1,475,506
	<hr/> \$ 61,248,702	<hr/> 62,433,754

The Company is subject to a shareholder's agreement which has restrictive covenants typically associated with such an agreement. At December 31, 2018, the Company is in compliance with all of the restrictive covenants and restrictions.

# PUC INC.

## Notes to Non-Consolidated Financial Statements

Year ended December 31, 2018

---

### **13. Financial risk management:**

#### *Overview*

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk

This note presents information about the Company's risk management framework, its operational risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

#### *Risk management framework*

Management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### *Credit risk management*

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

#### *Market risk*

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### **14. Comparative information:**

Certain 2017 comparative information has been reclassified to conform with the financial statement presentation adopted for 2018. These changes do not have an impact on the statement of comprehensive income.

Financial Statements of

**PUC SERVICES INC.**

Year ended December 31, 2018



KPMG LLP  
111 Elgin Street, Suite 200  
Sault Ste. Marie ON P6A 6L6  
Canada  
Telephone (705) 949-5811  
Fax (705) 949-0911

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of PUC Services Inc.

### ***Opinion***

We have audited the accompanying financial statements of PUC Services Inc. (the Company), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of income and comprehensive income for the year then ended
- the statement of changes in shareholders' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



Page 3

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



A handwritten signature in black ink that reads "KPMG LLP". A thin horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario

April 3, 2019

# PUC SERVICES INC.

## Statement of Financial Position

As at December 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 10,906,171	9,877,709
Accounts receivable (note 5)	2,456,275	4,558,241
Due from related party (note 18)	3,281,448	1,629,153
Inventories (note 6)	360,359	323,255
Prepaid expenses	704,460	692,679
Payment in lieu of taxes recoverable	-	9,862
Total current assets	17,708,713	17,090,899
Non-current assets:		
Deferred taxes (note 9)	630,000	768,000
Property, plant and equipment (note 7)	17,052,065	16,146,449
Intangible assets (note 8)	172,200	294,868
Total non-current assets	17,854,265	17,209,317
<b>Total assets</b>	<b>\$ 35,562,978</b>	<b>34,300,216</b>
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,470,627	3,563,353
Payment in lieu of taxes	61,210	-
Due to related parties (note 18)	8,086,432	7,688,682
Current portion of long-term debt (note 10)	85,656	85,656
Total current liabilities	11,703,925	11,337,691
Non-current liabilities:		
Long-term debt (note 10)	9,229,186	9,314,842
Deferred revenue	10,887,407	10,732,985
Employee future benefit obligations (note 11)	1,796,238	2,240,410
Total non-current liabilities	21,912,831	22,288,237
<b>Total liabilities</b>	<b>33,616,756</b>	<b>33,625,928</b>
Shareholder's equity:		
Share capital (note 14)	1,943,300	1,943,300
Accumulated other comprehensive income	403,227	(6,005)
Deficit	(400,305)	(1,263,007)
Total shareholder's equity	1,946,222	674,288
Commitments and contingencies (note 17)		
<b>Total liabilities and shareholder's equity</b>	<b>\$ 35,562,978</b>	<b>34,300,216</b>

See accompanying notes to financial statements.

Director

Director

# PUC SERVICES INC.

## Statement of Income and Comprehensive Income

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
<b>Revenue:</b>		
Management fees	\$ 10,045,376	10,210,843
Contract services	5,492,457	5,079,096
Other operating revenue (note 15)	1,548,559	1,445,208
	<b>17,086,392</b>	<b>16,735,147</b>
<b>Expenses:</b>		
Contract service	4,497,868	4,402,896
Administrative	3,740,542	3,833,640
Facilities	2,906,702	2,675,390
Depreciation and amortization	1,866,576	2,314,797
Billing and collection	1,175,980	1,698,311
Customer service	859,677	987,698
Street lights	320,373	315,643
New business development	192,217	141,634
Other business and maintenance	125,410	154,785
	<b>15,685,345</b>	<b>16,524,794</b>
Income from operating activities	1,401,047	210,353
Net finance costs (note 16)	477,591	533,748
Income (loss) before provision for payment in lieu of taxes	923,456	(323,395)
Payment in lieu of taxes (note 9)		
Current (recovery)	70,300	(20,903)
Deferred (recovery)	(9,546)	(84,166)
	<b>60,754</b>	<b>(105,069)</b>
Income (loss) for the year	862,702	(218,326)
Other comprehensive income (loss): items that will not be classified to profit or loss, net of income tax:		
Remeasurement of employee future benefits (note 11)	556,778	(127,674)
Income tax (recovery) on other comprehensive income (note 9)	(147,546)	33,834
Other comprehensive income (loss) for the year, net of income tax	409,232	(93,840)
Net income (loss) and comprehensive income (loss) for the year	<b>\$ 1,271,934</b>	<b>(312,166)</b>

See accompanying notes to financial statements.

# PUC SERVICES INC.

## Statement of Changes in Shareholders' Equity

Year ended December 31, 2018, with comparative information for 2017

		Share Capital	Acc. other comprehensive income (loss)	Deficit	Total
Balance, January 1, 2017	\$ 1,943,300		87,835	(1,044,681)	\$ 986,454
Loss for the year		-	-	(218,326)	(218,326)
Remeasurement of employee future benefit obligation		-	(93,840)	-	(93,840)
Balance, December 31, 2017	1,943,300		(6,005)	(1,263,007)	674,288
Net Income for the year		-	-	862,702	862,702
Remeasurement of employee future benefit obligation		-	409,232	-	409,232
Balance, December 31, 2018	\$ 1,943,300		403,227	(400,305)	\$ 1,946,222

See accompanying notes to financial statements.

# PUC SERVICES INC.

## Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
<b>Cash flows from operating activities:</b>		
Net income (loss) and comprehensive income (loss)	\$ 1,271,934	(312,166)
Item not involving cash:		
Depreciation and amortization	1,866,576	2,314,797
Amortization of deferred revenue	(486,206)	(408,615)
Gain on disposal of property, plant and equipment	(36,310)	(15,929)
Net finance costs	477,591	533,748
<u>Income tax expense (recovery)</u>	<u>60,754</u>	<u>(105,069)</u>
	3,154,339	2,006,766
<b>Changes in non-cash working capital:</b>		
Decrease in accounts receivables	2,101,966	1,184,327
Decrease (increase) in balances with related entities	(1,153,360)	1,153,869
Increase in inventories	(37,104)	(4,041)
Increase in prepaid expenses	(11,781)	(673,967)
Decrease in accounts payable and accrued liabilities	(92,726)	(540,202)
Increase (decrease) in employee future benefit obligation	(296,626)	204,126
<u>Income tax recovered (paid)</u>	<u>772</u>	<u>(18,158)</u>
Net cash from operating activities	3,665,480	3,312,720
<b>Cash flows from financing activities:</b>		
Principal payments on long-term debt	(85,656)	(85,656)
Contributions relating to property, plant and equipment	640,628	518,742
Interest paid	(578,776)	(579,013)
Net cash from financing activities	(23,804)	(145,927)
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of property, plant and equipment	36,310	16,148
Purchase of property, plant and equipment	(2,596,941)	(879,130)
<u>Purchase of intangible assets</u>	<u>(52,583)</u>	<u>(12,362)</u>
	(2,613,214)	(875,344)
<b>Increase in cash</b>	<b>1,028,462</b>	<b>2,291,449</b>
<b>Cash, beginning of year</b>	<b>9,877,709</b>	<b>7,586,260</b>
<b>Cash, end of year</b>	<b>\$ 10,906,171</b>	<b>9,877,709</b>

See accompanying notes to financial statements.

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 1. Reporting entity:

PUC Services Inc. (the "Company"), is incorporated under the Ontario Business Corporations Act and provides management, operations and maintenance services related to water, waste water and electrical services to its related entities and other organizations. The Company's head office is located at 500 Second Line East Sault Ste. Marie, Ontario.

The Company is wholly owned by The Corporation of the City of Sault Ste. Marie.

### 2. Basis of preparation:

#### (a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

#### (b) Approval of the financial statements:

The financial statements have been approved and authorized for issue by the Board of Directors on April 3, 2019.

#### (c) Basis of measurement:

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

#### (d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the functional currency of the Company. All financial information is presented in Canadian dollars.

#### (e) Use of estimates and judgments:

The preparation of the financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year are included in the following note:

- (i) Note 7 – Property, plant and equipment: estimation of useful lives
- (ii) Note 11 – Employee future benefits: key actuarial assumptions
- (iii) Note 17 – Commitments and contingencies

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements unless otherwise indicated.

#### (a) Financial instruments:

All financial assets and financial liabilities are measured at amortized cost. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f). The Company does not enter into derivative instruments.

Prior to January 1, 2018, all financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially fair value plus any directly attributable transactions costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f).

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

#### (b) Revenue recognition:

##### *Management fee revenue:*

The Company provides management services to related parties and recognizes revenues as services are rendered.

##### *Streetlight revenue:*

The Company is contracted by the City of Sault Ste. Marie to provide electricity for street lights to the city and provide maintenance services on the lights. Revenue is recognized in the period the billing services are rendered and as services are provided.

##### *Contract revenue:*

The Company is contracted by the City of Sault Ste. Marie to operate the water and wastewater plants. Revenue is recognized as services are rendered.

##### *CDM Revenue:*

Performance incentive payments under conservation and demand management ("CDM") programs are recognized by the Company when there is reasonable assurance that the program conditions have been satisfied and the incentive payments will be received.

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (c) Inventory:

Inventories consist of parts, supplies and materials held for the future capital expansion and operations and are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

#### (d) Property, plant and equipment:

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take a substantial period of time to construct.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of property, plant and equipment and are recognized net within other income in profit or loss.

Major spare parts and standby equipment are recognized as items of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of property, plant and equipment is written-off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount and is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. The depreciable amount is cost. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and in service.

The estimated useful lives are as follows:

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Buildings	25 – 50 years
Plant and equipment	4 – 40 years

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Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (e) Intangible assets:

##### (i) Computer software:

Computer software that is acquired or developed by the Company, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated depreciation and accumulated impairment losses.

##### (ii) Amortization:

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives are:

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Computer software	2 – 5 years
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Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate.

#### (f) Impairment:

##### (i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

##### (ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### **3. Significant accounting policies (continued):**

#### (f) Impairment (continued):

##### (ii) Non-financial assets (continued):

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (g) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### (h) Deferred revenue and assets transferred from customers:

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue. Deferred revenue represents the Company's obligation to continue to provide customers services related to the supply of electricity, and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

#### (i) Employee future benefits:

##### (i) Pension plan:

The Company provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (i) Employee future benefits (continued):

##### (i) Pension plan (continued):

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

##### (ii) Post-employment benefits, other than pension:

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in retained earnings. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in net income on a straight-line basis over the average period until the benefits become vested. In circumstances where the benefits vest immediately, the expense is recognized immediately in net income.

#### (j) Net finance costs:

Net finance costs consist of finance income and finance charges.

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and on regulatory assets.

Finance charges comprise interest expense on borrowings. Finance charges are recognized as an expense unless they are capitalized as part of the cost of qualifying assets.

#### (k) Payment in lieu of taxes:

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations' Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Company ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Company's Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

PILs comprises current and deferred payments in lieu of income tax. PILs are recognized in income and loss except to the extent that it relates to items recognized directly in either comprehensive income or equity, in which case, it is recognized in comprehensive income or in equity.

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (k) Payment in lieu of taxes (continued):

Current PILS is the expected amount of tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred PILs comprise the net tax effects of temporary differences between the tax basis of assets and liabilities and their respective carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred PILs assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred PILs assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred PILs asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred PILs assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### (l) Changes in accounting policies:

##### (i) Revenue from contracts with customers:

In May 2014, the IASB issued IFRS 15 effective for annual periods beginning on or after January 1, 2018, which replaced existing revenue recognition guidance, including IAS 18 Revenue and IFRIC 18 Transfers of Assets from Customers. IFRS 15 contains a five step model that applies to contracts with customers that specifies that revenue is recognized when or as an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized at a point in time or over time.

There has been no significant impact to the financial statements with the adoption of IFRS 15.

##### (ii) Financial instruments:

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ["IFRS 9"] effective for annual periods beginning on or after January 1, 2018, which replaced IAS 39 Financial Instruments: Recognition and Measurement ["IAS 39"]. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for measuring impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company adopted IFRS 9 retrospectively on January 1, 2018. Despite the retrospective adoption of IFRS 9, the Company is not required, upon initial application, to restate comparatives.

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (I) Changes in accounting policies (continued):

##### (ii) Financial instruments (continued):

###### (a) Classification and measurement of financial instruments:

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39

Under IFRS 9, on initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial instruments. As a result, the classification and measurement of the financial assets and liabilities are all measured at amortized cost.

###### (b) Impairment of financial assets:

Loss allowances for accounts receivable are always measured at an amount equal to lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, adjusted for forward-looking factors specific to the current credit environment.

The Company assumes that credit risk on a financial asset has increased if it is more than 30 days past due date.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company, such as realizing security (if any is held).

If the amount of impairment loss subsequently decreases due to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through net income.

The adoption of IFRS 9 has not had a significant effect on the Company's provision for expected credit losses.

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### **3. Significant accounting policies (continued):**

#### (m) New standards and interpretations not yet effective:

The following new standards and interpretations are not yet effective but are considered to be relevant to the Company's financial statements:

##### (i) IFRS 16 Leases:

In January 2016, IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation, and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS 17 and it is effective for annual periods beginning on or after January 1, 2019. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessor. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The Company does not expect the standard to have a material impact on the financial statements.

##### (ii) Uncertainty over Income Tax Treatments:

The IASB issued IFRIC 23 to clarify how to apply the recognition and measurement requirements in IAS 12 *Income Taxes*. The IFRIC is effective for annual periods beginning on or after January 1, 2019. The Company has assessed their uncertain tax treatments and concluded that it is probable that the tax authorities will accept the treatment.

### **4. Critical accounting estimates and judgments:**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 4. Critical accounting estimates and judgments (continued):

#### Fair value of financial instruments:

The Company determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods, and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in note 19.

#### Payment in lieu of taxes:

The Company periodically assesses its liabilities and contingencies related to PILs for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current PILs provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the PILs liabilities.

#### Useful lives of depreciable assets:

Management reviews the useful lives of depreciable assets at each reporting date. At December 31, 2018, management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in notes 7 and 8. Actual results, however, may vary due to technical obsolescence, particularly for software and electronic equipment.

#### Impairment:

An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each asset or cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

#### Employee retirement benefits:

The Company estimates the present value of employee retirement benefits, which depends on a number of assumptions including discount rates, expected salary and other cost increases, and mortality rates. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Refer to note 11 for information relating to these estimates.

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

---

### 5. Accounts receivable:

	2018	2017
Trade receivables	\$ 2,378,411	\$ 4,053,587
Other receivables	77,864	504,654
	<b>\$ 2,456,275</b>	<b>\$ 4,558,241</b>

### 6. Inventories:

	2018	2017
Stores	\$ 88,674	\$ 84,167
Fuel	40,829	39,361
Street lights	230,856	199,727
	<b>\$ 360,359</b>	<b>\$ 323,255</b>

The amount of inventories consumed by the Company and recognized as an expense during 2018 was \$123,253 (2017 - \$120,313).

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 7. Property, plant and equipment:

#### (a) Cost:

	Land	Building	Plant and equipment	Construction -in-Progress	Total
Balance at January 1, 2018	\$ —	\$ 262,704	\$ 38,604,880	\$ —	\$ 38,867,584
Additions	447,169	—	2,149,772	—	2,596,941
Disposals/retirements	—	—	(278,269)	—	(278,269)
<b>Balance at December 31, 2018</b>	<b>\$ 447,169</b>	<b>\$ 262,704</b>	<b>\$ 40,476,383</b>	<b>\$ —</b>	<b>\$ 41,186,256</b>

	Land	Building	Plant and equipment	Construction -in-Progress	Total
Balance at January 1, 2017	\$ —	\$ 262,704	\$ 38,960,317	\$ 26,883	\$ 39,249,904
Additions	—	—	905,794	—	905,794
Disposals/retirements	—	—	(1,261,231)	(26,883)	(1,288,114)
<b>Balance at December 31, 2017</b>	<b>\$ —</b>	<b>\$ 262,704</b>	<b>\$ 38,604,880</b>	<b>\$ —</b>	<b>\$ 38,867,584</b>

#### (b) Accumulated depreciation:

	Land	Buildings	Plant and equipment	Construction -in-Progress	Total
Balance at January 1, 2018	\$ —	\$ 113,132	\$ 22,608,003	\$ —	\$ 22,721,135
Depreciation charge	—	5,254	1,686,071	—	1,691,325
Disposals/retirements	—	—	(278,269)	—	(278,269)
<b>Balance at December 31, 2018</b>	<b>\$ —</b>	<b>\$ 118,386</b>	<b>\$ 24,015,805</b>	<b>\$ —</b>	<b>\$ 24,134,191</b>

	Land	Buildings	Plant and equipment	Construction -in-Progress	Total
Balance at January 1, 2017	\$ —	\$ 107,878	\$ 21,731,190	\$ —	\$ 21,839,068
Depreciation charge	—	5,254	2,044,142	—	2,049,396
Disposals/retirements	—	—	(1,167,329)	—	(1,167,329)
<b>Balance at December 31, 2017</b>	<b>\$ —</b>	<b>\$ 113,132</b>	<b>\$ 22,608,003</b>	<b>\$ —</b>	<b>\$ 22,721,135</b>

#### (c) Carrying amounts:

	Land	Buildings	Plant and equipment	Construction -in-Progress	Total
December 31, 2018	\$ 447,169	\$ 144,318	\$ 16,460,578	\$ —	\$ 17,052,065
December 31, 2017	\$ —	\$ 149,572	\$ 15,996,877	\$ —	\$ 16,146,449

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 7. Property, plant and equipment (continued):

#### (d) Security:

At December 31, 2018, properties with a carrying amount of \$17,052,065 (2017 - \$16,146,449) are subject to a general security agreement.

#### (e) Contributed Capital:

Contributed tangible assets have been recognized at a fair market value at the date of contribution. The value of contributed assets at the end of the year is \$10,887,407 (2017 - \$10,732,985), comprised of streetlights.

### 8. Intangible assets:

#### (a) Cost:

	Computer software
Balance at January 1, 2018	\$ 2,061,940
Additions	52,583
<u>Balance at December 31, 2018</u>	<u>\$ 2,114,523</u>
Balance at January 1, 2017	\$ 2,049,578
Additions	12,362
<u>Balance at December 31, 2017</u>	<u>\$ 2,061,940</u>

#### (b) Accumulated amortization:

	Computer software
Balance at January 1, 2018	\$ 1,767,072
Amortization charges in 2018	175,251
<u>Balance at December 31, 2018</u>	<u>\$ 1,942,323</u>
Balance at January 1, 2017	\$ 1,501,672
Amortization charges in 2017	265,400
<u>Balance at December 31, 2017</u>	<u>\$ 1,767,072</u>

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 8. Intangible assets (continued):

#### (c) Carrying amounts:

	Computer software
December 31, 2018	\$ 172,200
December 31, 2017	\$ 294,868

### 9. Payments in lieu of income taxes:

#### Payment in lieu of taxes:

##### Current PILs

	2018	2017
Current (recovery)	\$ 70,300	\$ (20,903)
Deferred PILs		
Origination and reversal of timing differences	(9,546)	(84,166)
Net impact of Tax on other comprehensive income (OCI)	147,546	(33,834)
	\$ 138,000	\$ (118,000)
Payment in lieu of tax expense	60,754	(105,069)
Payment in lieu of tax expense excluding OCI	\$ 208,300	\$ (138,903)

#### Reconciliation of effective tax rate:

	2018	2017
Earnings before payments in lieu of income taxes	\$ 923,456	\$ (323,395)
Statutory rate	26.5%	26.5%
Income tax	244,716	(85,700)
Increase (decrease) resulting from:		
Permanent difference	3,546	3,258
Investment tax credits	(47,776)	3,073
Other	7,814	(59,534)
	\$ 208,300	\$ (138,903)

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 9. Payments in lieu of income taxes (continued):

Significant components of the Company's deferred tax balances are as follows:

	2018	2017
Deferred tax assets (liabilities):		
Plant and equipment	\$ 160,000	\$ 174,000
Employee benefits	476,000	594,000
Apprenticeship tax credit	(6,000)	-
	<hr/> \$ 630,000	<hr/> \$ 768,000

### 10. Long-term debt:

	2018	2017
Notes payable:		
(i) PUC Inc.	\$ 6,990,000	\$ 6,990,000
(ii) PUC Inc.	1,320,000	1,320,000
(iii) Ontario Infrastructure and Lands Corporation	520,000	573,333
(iv) Federation of Canadian Municipalities	484,842	517,165
	9,314,842	9,400,498
Less: current portion of long-term debt	85,656	85,656
	<hr/> \$ 9,229,186	<hr/> \$ 9,314,842

- (i) Note payable to related company, PUC Inc., unsecured, bears interest at 7.62% per annum and is payable one year after demand. Interest of \$532,638 (2017 - \$532,638) was paid and expensed during the year.
- (ii) Note payable to related company, PUC Inc., unsecured and without interest and is payable one year after demand.
- (iii) Note payable to Ontario Infrastructure and Lands Corporation (OILC), bears interest at 4.22% per annum and is payable in monthly principal payments of \$4,444, due September 16, 2028. Interest of \$23,162 (2017 - \$25,412) was paid and expensed during the year.

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 10. Long-term debt (continued):

(iv) Note payable to Federation of Canadian Municipalities (FCM), unsecured, bears interest at 4.21% per annum and is payable in semi-annual principal payments of \$16,161, due October 30, 2033. Interest of \$21,205 (2017 - \$20,683) was paid and expensed during the year.

Principal payments on the long-term debt are as follows:

---

2019	\$ 85,656
2020	85,656
2021	85,656
2022	85,656
2023	85,656
2024 - 2033	8,886,562
	9,314,842
Less: current portion	(85,656)
<hr/> Long-term portion	<hr/> \$ 9,229,186

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2018	2017
Long term debt – beginning of year	\$ 9,400,498	\$ 9,486,154
Less: cash outflows for principal repayments	85,656	85,656
<hr/> Long term debt – end of year	<hr/> \$ 9,314,842	<hr/> \$ 9,400,498

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 11. Employee future benefits:

The Company pays certain medical and life insurance benefits on behalf of some of its retired employees. The Company recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2018 of \$1,796,238 was based on an actuarial valuation completed in 2018 using a discount rate of 4.00%.

Changes in the present value of the defined benefit unfunded obligation and the accrued benefit liability:

	2018	2017
Defined benefit obligation, beginning of year	\$ 2,240,410	\$ 2,002,450
Current service cost	126,704	107,382
Interest cost	74,665	76,658
Benefits paid during the year	(88,763)	(73,754)
Actuarial (gain)/loss recognized in other comprehensive income	(556,778)	127,674
<b>Accrued benefit liability, end of year</b>	<b>\$ 1,796,238</b>	<b>\$ 2,240,410</b>

Components of net benefit expense recognized are as follows:

	2018	2017
Current service cost	\$ 126,704	\$ 107,382
Interest cost	74,665	76,658
<b>Net benefit expense recognized</b>	<b>\$ 201,369</b>	<b>\$ 184,040</b>

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 11. Employee future benefits (continued):

The significant actuarial assumptions used in the valuation are as follows (weighted average):

	2018	2017
Accrued benefit obligation:		
Discount rate	4.00%	3.40%
Benefit cost for the year:		
Withdrawal rate	0.50%	0.50%
Assumed health care cost trend rates:		
Cost trend rate estimated to decline to 4.5% over 8 years	6.00%	6.25%

The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

	Defined Benefit Obligation	Periodic Benefit Cost
1% increase in health care trend rate	\$ 185,800	\$ 29,600
1% decrease in health care trend rate	157,700	24,500

The main actuarial assumptions utilized for the valuation are as follows:

General inflation - future general inflation levels, as measured by the changes in the Consumer Price Index (CPI) (1%; 2%).

### 12. Pension agreement:

The Company provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2018, the Company made employer contributions of \$1,609,321 to OMERS (2017 - \$1,642,869). The Company's net benefit expense has been charged to income.

### 13. Employee benefits:

	2018	2017
Salaries, wages and benefits	\$ 15,916,022	\$ 15,710,848
CPP and EI remittances	651,837	659,238
Contributions to OMERS	1,609,321	1,642,869
	<hr/> \$ 18,177,180	<hr/> \$ 18,012,955

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 14. Share capital:

	2018	2017
Authorized:		
Unlimited special shares, non-voting, non-cumulative, redeemable at \$10,000 per share		
10,000 Common shares		
Issued and outstanding:		
105 special shares	\$ 1,050,000	\$ 1,050,000
4,000 common shares	893,300	893,300
	<hr/>	<hr/>
	\$ 1,943,300	\$ 1,943,300

### 15. Other operating revenue:

	2018	2017
Streetlights	\$ 433,344	\$ 487,261
Miscellaneous	442,019	359,324
Amortization of deferred revenue	486,206	408,615
Generation revenue	186,990	190,008
<hr/>		
Total other income	\$ 1,548,559	\$ 1,445,208

### 16. Finance income and finance charges:

	2018	2017
Interest income	\$ 101,185	\$ 45,265
Interest expense on amounts due to related party	532,638	532,638
Interest expense on long-term debt	46,138	46,375
<hr/>		
Net finance costs recognized in comprehensive income	\$ 477,591	\$ 533,748

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### **17. Commitments and contingencies:**

#### General:

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

#### General Liability Insurance:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2018, no assessments have been made.

### **18. Related party transactions:**

#### (a) Parent, ultimate controlling party, and other related parties:

The sole shareholder of the Company is the Corporation of the City of Sault Ste. Marie (the "City"). The City produces financial statements that are available for public use. Other related parties include; PUC Inc. also owned 100% by the City and PUC Distribution Inc. owned 100% by PUC Inc.; and the Public Utilities Commission of the City of Sault Ste. Marie (Water Utility).

#### (b) The key management personnel of the Company have been defined as members of its board of directors and executive management team members and is summarized below.

	2018	2017
Directors' fees	\$ 36,010	\$ 30,288
Salaries and other short-term benefits	825,974	790,196
Post-employment benefits	10,712	10,837
	<hr/> \$ 872,696	<hr/> \$ 831,321

#### (c) Transactions with ultimate parent (the City):

In the year, the Company had the following significant transactions with its ultimate parent, a government entity:

The Company provides streetlight services and water and waste water services to the City. The amount charged to the City for streetlight maintenance is \$433,344 (2017 - \$487,261) and water and waste water services is \$3,386,282 (2017 - \$3,067,824).

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### 18. Related party transactions (continued):

#### (d) Transactions with other related parties:

The Company has agreements which expire November 30, 2022 with the Utility, and with its other related entities, to manage, control, administer and operate the business of these entities. The Company charged the following management fees to the related parties:

	2018	2017
PUC Distribution Inc.	\$ 4,618,259	\$ 4,795,852
Public Utilities Commission of the City of Sault Ste. Marie	5,143,447	5,200,945
PUC Inc.	283,670	214,046
	<hr/> <u>\$ 10,045,376</u>	<hr/> <u>\$ 10,210,843</u>

The Company pays interest on payable balances at the Ontario Energy Board Deemed Rate on the average payable balance for the month. Interest was paid to PUC Inc., PUC Distribution Inc, and the Public Utilities Commission of the City of Sault Ste. Marie of \$130,412, \$946 and \$45,682 (2017 - \$88,046, \$18,693, and \$10,112 respectively).

The Company paid interest on its long-term debt to PUC Inc. of \$532,638 (2017 - \$532,638).

New business development costs of \$192,217 (2017 - \$141,634) were charged to PUC Inc.

### 19. Financial instruments and risk management:

#### *Fair value disclosure*

Cash is measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

#### *Financial risks*

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

#### (a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns in excess of 90% of its revenue from related parties and other municipal corporations.

# PUC SERVICES INC.

## Notes to Financial Statements

Year ended December 31, 2018

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### **19. Financial instruments and risk management (continued):**

#### (b) Liquidity risk:

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure.

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

#### (c) Capital disclosures:

The Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2018, shareholder's equity amounts to \$1,946,222 (2017 - \$674,288) and long-term debt amounts to \$9,229,186 (2017 - \$9,314,842).

### **20. Comparative information:**

Certain 2017 comparative information has been reclassified to conform with the financial statement presentation adopted for 2018. The changes made do not have an impact on the statement of income and comprehensive income.

Financial Statements of

**PUC DISTRIBUTION INC.**

Year ended December 31, 2018



KPMG LLP  
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Canada  
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## INDEPENDENT AUDITORS' REPORT

To the Shareholder of PUC Distribution Inc.

### Opinion

We have audited the financial statements of PUC Distribution Inc. (the "Company"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of income and comprehensive income for the year then ended
- the statement of changes in shareholder's equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



A handwritten signature in black ink that reads "KPMG LLP" above a horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

April 3, 2019

# PUC DISTRIBUTION INC.

## Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 614,613	1,098,433
Accounts receivable (note 4)	5,421,130	4,772,774
Unbilled revenue	8,557,604	11,745,845
Due from related parties	-	192,649
Payment in lieu of taxes recoverable	-	27,798
Inventory (note 5)	1,610,428	1,445,792
<u>Prepaid expenses</u>	<u>445,680</u>	<u>82,587</u>
Total current assets	16,649,455	19,365,878
<b>Non-current assets:</b>		
Property, plant and equipment (note 6)	97,231,587	95,358,139
<u>Deferred tax assets (note 7)</u>	<u>-</u>	<u>145,000</u>
Total non-current assets	97,231,587	95,503,139
Total assets	113,881,042	114,869,017
Regulatory deferral account debit balances (note 8)	505,380	120,529
Deferred tax asset associated with regulatory deferral account balances (note 8)	150,000	52,000
	655,380	172,529
Total assets and regulatory deferral account debit balances	\$ 114,536,422	115,041,546

See accompanying notes to financial statements.

# PUC DISTRIBUTION INC.

## Statement of Financial Position (continued)

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Liabilities and Shareholder's Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 8,110,734	10,515,223
Customer deposits (note 10)	1,099,333	1,144,445
Deferred revenue	-	21,558
Due to related parties	3,281,448	-
Current portion of long-term debt (note 9)	1,312,680	1,260,844
<b>Total current liabilities</b>	<b>13,804,195</b>	<b>12,942,070</b>
<b>Non-current liabilities:</b>		
Deferred revenue	3,284,967	2,936,510
Deferred tax liability	72,000	-
Long-term debt (note 9)	61,373,667	62,686,347
<b>Total non-current liabilities</b>	<b>64,730,634</b>	<b>65,622,857</b>
<b>Total liabilities</b>	<b>78,534,829</b>	<b>78,564,927</b>
<b>Shareholder's equity:</b>		
Share capital (note 11)	20,062,107	20,062,107
Retained earnings	12,523,445	11,233,619
<b>Total shareholder's equity</b>	<b>32,585,552</b>	<b>31,295,726</b>
<b>Total liabilities and shareholder's equity</b>	<b>111,120,381</b>	<b>109,860,653</b>
Regulatory deferral account credit balances (note 8)	3,338,041	4,983,893
Deferred tax liability associated with regulatory deferral account balances	78,000	197,000
<b>Commitments and contingencies (note 14)</b>	<b>3,416,041</b>	<b>5,180,893</b>
<b>Total liabilities, regulatory balances and shareholder's equity</b>	<b>\$ 114,536,422</b>	<b>115,041,546</b>

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

# PUC DISTRIBUTION INC.

## Statement of Income and Comprehensive Income

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
<b>Revenue:</b>		
Electricity sales	\$ 67,033,504	76,878,822
Distribution revenue	16,960,991	16,311,679
Cost of electricity sold	(67,990,141)	(75,158,523)
	16,004,354	18,031,978
<b>Other operating revenue (note 12)</b>	<b>3,917,583</b>	<b>4,321,865</b>
<b>Net operating revenue</b>	<b>19,921,937</b>	<b>22,353,843</b>
<b>Expenses:</b>		
Operations and maintenance	6,009,813	5,916,615
General and administrative	3,615,160	3,347,960
Billing and collection	1,381,283	1,682,623
Depreciation and amortization	3,864,131	3,729,303
Community relations	1,334,845	2,525,333
	16,205,232	17,201,834
<b>Income from operating activities</b>	<b>3,716,705</b>	<b>5,152,009</b>
<b>Net finance costs (note 13)</b>	<b>3,133,507</b>	<b>3,176,927</b>
<b>Income before tax and regulatory items</b>	<b>583,198</b>	<b>1,975,082</b>
<b>Income tax expense (recovery):</b>		
Current (note 7)	8	127,500
Deferred (note 7)	217,000	66,000
	217,008	193,500
<b>Income for the year before movements in regulatory deferral account balances</b>	<b>366,190</b>	<b>1,781,582</b>
<b>Net movement in regulatory deferral account balances related to income or loss</b>	<b>(956,636)</b>	<b>1,720,299</b>
Income tax	(217,000)	(66,000)
	(1,173,636)	1,654,299
<b>Net income, being total comprehensive income for the year</b>	<b>\$ 1,539,826</b>	<b>127,283</b>

See accompanying notes to financial statements.

# PUC DISTRIBUTION INC.

## Statement of Changes in Shareholder's Equity

Year ended December 31, 2018, with comparative information for 2017

	Share Capital	Retained Earnings	Total
Balance at December 31, 2016	\$ 20,062,107	11,106,336	31,168,443
Net income and comprehensive income	-	127,283	127,283
Balance at December 31, 2017 as previously reported	20,062,107	11,233,619	31,295,726
Cumulative effect of adopting IFRS 9 at January 1, 2018 (note 17)	-	(250,000)	(250,000)
Restated balance as at January 1, 2018	20,062,107	10,983,619	31,045,726
Net income and comprehensive income	-	1,539,826	1,539,826
<u>Balance at December 31, 2018</u>	<u>\$ 20,062,107</u>	<u>12,523,445</u>	<u>32,585,552</u>

See accompanying notes to financial statements.

# PUC DISTRIBUTION INC.

## Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in)		
Cash flows from operating activities:		
Total comprehensive income for the year	\$ 1,539,826	127,283
Items not involving cash:		
Depreciation and amortization	3,864,131	3,729,303
Amortization of deferred revenue	(82,576)	(62,979)
Loss (gain) on disposal of property, plant and equipment	(80,256)	6,657
Net finance costs	3,133,507	3,176,927
Income tax expense	217,008	193,500
	8,591,640	7,170,691
Changes in non-cash working capital:		
Accounts receivable	(898,356)	1,847,496
Unbilled revenue	3,188,241	(1,570,063)
Inventory	(164,636)	40,661
Prepaid expenses	(363,093)	(19,187)
Due from related parties	202,800	(69,826)
Due to related parties	3,281,448	-
Accounts payable and accrued liabilities	(2,404,496)	(3,251,390)
Customer deposits	(45,112)	156,960
Deferred revenue	(21,558)	(186,422)
Income tax paid	27,798	394,733
Net movements in regulatory balances	(2,247,703)	2,348,833
Net cash from operating activities	9,146,973	6,862,486
Cash flows from financing activities:		
Repayment of long-term debt	(1,260,844)	(1,211,084)
Interest paid	(3,143,658)	(3,199,549)
Net cash from financing activities	(4,404,502)	(4,410,633)
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	113,000	-
Purchase of property, plant and equipment	(5,339,291)	(5,253,141)
	(5,226,291)	(5,253,141)
Change in cash and cash equivalents	(483,820)	(2,801,288)
Cash and cash equivalents, beginning of year	1,098,433	3,899,721
Cash and cash equivalents, end of year	\$ 614,613	1,098,433

See accompanying notes to financial statements.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## 1. Reporting entity:

PUC Distribution Inc. (the "Company") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Company is located in the City of Sault Ste. Marie. The address of the Company's registered office is 500 Second Line East, Sault Ste. Marie, Ontario Canada.

The Company delivers electricity and related energy services to residential and commercial customers in Sault Ste. Marie. The Company is wholly owned by PUC Inc., which is itself wholly owned by The Corporation of the City of Sault Ste. Marie.

## 2. Basis of presentation:

### (a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### (b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 3, 2019.

### (c) Basis of measurement:

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

### (d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

### (e) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

- (i) Note 7 - Property, plant and equipment
- (ii) Note 15 - Commitments and contingencies

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## 2. Basis of presentation (continued):

### (f) Rate regulation:

The Company is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

### (g) Rate setting:

#### i) Distribution revenue:

For the distribution revenue included in electricity sales, the Company files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenses, debt and shareholder’s equity required to support the Company’s business. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers.

The Company filed an IRM in 2016 requesting a 1.45% inflationary increase to distribution rates for the period of May 1, 2017 to April 30, 2018. The IRM was approved on March 8, 2017.

The Company filed a COS rate application in 2018 for rates effective October 1, 2018 to April 30, 2020 for which a Decision and Rate order was issued September 27, 2018.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## 2. Basis of presentation (continued):

### (g) Rate setting (continued):

#### ii) Electricity rates:

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Company is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

## 3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

### (a) Financial instruments:

All financial assets and financial liabilities are measured at amortized cost. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(e). The Company does not enter into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

Prior to January 1, 2018, all financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(e).

### (b) Revenue recognition:

#### i) Electricity sales:

Electricity sales are recognized as the electricity is delivered to customers and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution, and any other regulatory charges. Electricity revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (b) Revenue recognition (continued):

##### i) Electricity sales (continued):

The difference between the amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of electricity and related electricity service costs billed monthly by the Independent Electricity System Operator ("IESO") is recorded as a settlement variance. In accordance with IFRS 14, this settlement variance is presented within regulatory balances on the balance sheets and within net movements in regulatory balances, net of tax on the statement of income and comprehensive income.

##### ii) Revenue from contracts with customers:

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are initially recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Company's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the economic useful life of the constructed or contributed asset, which represents the period of ongoing service to the customer.

##### iii) Rendering of services:

Revenue earned from the provision of services is recognized as the service is rendered.

##### iv) Conservation programs:

Incentive payments to which the Company is entitled from the IESO are recognized as revenue in the period when they are determined by the IESO and the amount is communicated to the Company.

#### (c) Inventory:

Inventories consist of parts, supplies and materials held for the future capital expansion and are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (d) Property, plant and equipment:

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take a substantial period of time to construct.

When parts of an item of property, plant and equipment ("PP&E") have different useful lives, they are accounted for as separate items (major components) of PP&E.

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of PP&E and are recognized net within other income in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount and is recognized in income on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. The depreciable amount is cost. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and in service.

The estimated useful lives are as follows:

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Buildings	25 – 50 years
Transmission and distribution	15 – 60 years
Machinery and equipment	5 – 40 years

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Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (e) Impairment:

##### (i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

##### (ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### (g) Regulation:

The following regulatory treatments have resulted in accounting treatments which differ from those prescribed by IFRS for enterprises operating in an unrelated environment and regulated entities that have not adopted IFRS 14, Regulatory Deferral Accounts (IFRS 14).

#### (h) Regulatory deferral accounts:

In January 2014, the IASB issued IFRS 14 as an interim standard giving entities conducting rate-regulated activities the option of continuing to recognize regulatory balances according to their previous GAAP. Regulatory balances provide useful information about the Company's financial position, financial performance and cash flows. IFRS 14 will remain in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB. The Company early adopted IFRS 14 in 2015.

The Company has determined that certain asset and liability balances arising from rate-regulated activities qualify for the application of regulatory accounting treatment in accordance with IFRS 14 and the accounting principles prescribed by the OEB in the Accounting Procedures Handbook for Electricity Distributors. Under rate-regulated accounting, the timing and recognition of certain expenses and revenues may differ from those otherwise expected under other IFRS in order to appropriately reflect the economic impact of regulatory decisions regarding the Company's regulated revenues and expenditures. These amounts arising from timing differences are recorded as regulatory asset and liability balances on the Company's statement of financial position, and represent existing rights and obligations regarding cash flows expected to be recovered from or refunded to customers, based on decisions and approvals by the OEB.

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### h) Regulatory deferral accounts (continued):

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances are assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates. In 2018 the rate was 1.86%. Regulatory balances can be recognized for rate-setting and financial reporting purposes only if the OEB directs the relevant regulatory treatment or if future OEB direction is determined by management to be probable.

In the event that the disposition of these balances is assessed to no longer be probable based on management's judgment, the balances are recorded in the Company's statement of income and comprehensive income in the period when the assessment is made. Regulatory balances that do not meet the definition of an asset or liability under any other IFRS are segregated on the statement of financial position and on the statement of income and comprehensive income as net movements in regulatory balances, net of tax. The netting of regulatory debit and credit balances is not permitted.

The measurement of regulatory balances is subject to certain estimates and assumptions, including assumptions made in the interpretation of the OEB's regulations and decisions.

#### (i) Credit support for service delivery:

Credit support for service delivery represents cash deposits from electricity distribution customers as well as construction deposits.

Deposits from electricity distribution customers are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution service. Customer deposits are also refundable to residential electricity distribution customers demonstrating an acceptable level of credit risk, as determined by the Company.

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. Cash contributions are initially recorded as credit support for service delivery, a current liability. Once the distribution system asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (j) Deferred revenue and assets transferred from customers:

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue within non-current liabilities. Deferred revenue represents the Company's obligation to continue to provide customers access to the supply of electricity, and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

#### (k) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and on regulatory assets.

Finance charges comprise interest expense on borrowings and regulatory liabilities. Finance costs are recognized as an expense unless they are capitalized as part of the cost of qualifying assets.

#### (l) Payment in lieu of taxes:

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations' Tax Act (collectively the "Tax Acts"). Under the *Electricity Act, 1998*, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Company ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Company's Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

PILs comprises current and deferred payments in lieu of income tax. PILs recognized in income and loss except to the extent that it relates to items recognized directly in either comprehensive income or equity, in which case, it is recognized in comprehensive income or in equity.

Current PILS is the expected amount of tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred PILs comprise the net tax effects of temporary differences between the tax basis of assets and liabilities and their respective carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

Deferred PILs assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred PILs assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (l) Payment in lieu of taxes (continued):

A deferred PILs asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred PILs assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### (m) Changes in accounting policies:

Effective January 1, 2018, the Company has adopted new IFRS standards and applied the following new accounting policies in preparing the Financial Statements:

##### i) Revenue from contracts with customers:

In May 2014, the IASB issued IFRS 15 effective for annual periods beginning on or after January 1, 2018, which replaced existing revenue recognition guidance, including IAS 18 Revenue and IFRIC 18 Transfers of Assets from Customers. IFRS 15 contains a five step model that applies to contracts with customers that specifies that revenue is recognized when or as an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized at a point in time or over time.

There has been no material impact to the financial statements with the adoption of IFRS 15.

##### ii) Financial instruments:

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ["IFRS 9"] effective for annual periods beginning on or after January 1, 2018, which replaced IAS 39 Financial Instruments: Recognition and Measurement ["IAS 39"]. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for measuring impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company adopted IFRS 9 retrospectively on January 1, 2018. Despite the retrospective adoption of IFRS 9, the Company is not required, upon initial application, to restate comparatives.

###### a) Classification and measurement of financial instruments:

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial instruments. The impact of IFRS 9 on the classification and measurement of financial instruments is set out in note 17.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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### **3. Significant accounting policies (continued):**

#### **(m) Changes in accounting policies (continued):**

##### **(ii) Financial instruments (continued):**

###### **b) Impairment of financial assets:**

Loss allowances for accounts receivable and unbilled revenue are always measured at an amount equal to lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, adjusted for forward-looking factors specific to the current credit environment.

The Company assumes that credit risk on a financial asset has increased if it is more than 30 days past due date.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company, such as realizing security (if any is held).

If the amount of impairment loss subsequently decreases due to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through net income.

#### **(n) New standards and interpretations not yet effective:**

The following new standards and interpretations are not yet effective but are considered to be relevant to the Company's financial statements:

##### **i) IFRS 16 Leases:**

In January 2016, IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation, and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS 17 and it is effective for annual periods beginning on or after January 1, 2019. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessor. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The Company does not expect the standard to have a material impact on the financial statements.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (n) New standards and interpretations not yet effective (continued):

##### ii) Uncertainty over Income Tax Treatments:

The IASB issued IFRIC 23 to clarify how to apply the recognition and measurement requirements in IAS 12 *Income Taxes*. The IFRIC is effective for annual periods beginning on or after January 1, 2019. The Company has assessed their uncertain tax treatments and concluded that it is probable that the tax authorities will accept the treatment.

#### (o) Critical accounting estimates and judgments:

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### Fair value of financial instruments:

The Company determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods, and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in note 16.

##### Payment in lieu of taxes:

The Company periodically assesses its liabilities and contingencies related to PILs for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current PILs provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the PILs liabilities.

##### Useful lives of depreciable assets:

Management reviews the useful lives of depreciable assets at each reporting date. At December 31, 2018, management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in note 7. Actual results, however, may vary due to technical obsolescence, particularly for software and electronic equipment.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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### 3. Significant accounting policies (continued):

#### (o) Critical accounting estimates and judgments (continued):

##### Impairment:

An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each asset or cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

### 4. Accounts receivable:

	2018	2017
Trade receivables	\$ 4,879,479	\$ 3,946,957
Other receivables	541,651	825,817
	<hr/> \$ 5,421,130	<hr/> \$ 4,772,774

Included in the receivables balance is an allowance for doubtful accounts in the amount of \$355,521 (2017 - \$105,521)

### 5. Inventory:

The amount of inventories consumed by the Company and recognized as an expense during 2018 was \$311,156 (2017 - \$291,526).

	2018	2017
Stores	\$ 831,125	\$ 730,216
Wire and cable	564,038	522,541
Poles	215,265	193,035
	<hr/> \$ 1,610,428	<hr/> \$ 1,445,792

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## 6. Property, plant and equipment:

### (a) Cost or deemed cost:

	Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2018	\$ 25,897,510	\$ 63,680,242	\$ 19,773,921	\$ 37,675	\$ 109,389,348
Additions	18,860	4,860,058	696,793	194,612	5,770,323
Disposals/retirements	(32,744)	—	—	—	(32,744)
<b>Balance at December 31, 2018</b>	<b>\$ 25,883,626</b>	<b>\$ 68,540,300</b>	<b>\$ 20,470,714</b>	<b>\$ 232,287</b>	<b>\$ 115,126,927</b>

	Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2017	\$ 25,884,134	\$ 58,850,844	\$ 18,271,159	\$ —	\$ 103,006,137
Additions	13,376	4,836,055	1,502,762	37,675	6,389,868
Disposals/retirements	—	(6,657)	—	—	(6,657)
<b>Balance at December 31, 2017</b>	<b>\$ 25,897,510</b>	<b>\$ 63,680,242</b>	<b>\$ 19,773,921</b>	<b>\$ 37,675</b>	<b>\$ 109,389,348</b>

### (b) Accumulated depreciation:

	Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2018	\$ 2,717,413	\$ 7,762,714	\$ 3,551,082	\$ —	\$ 14,031,209
Depreciation charge	683,038	2,224,672	956,421	—	3,864,131
<b>Balance at December 31, 2018</b>	<b>\$ 3,400,451</b>	<b>\$ 9,987,386</b>	<b>\$ 4,507,503</b>	<b>\$ —</b>	<b>\$ 17,895,340</b>

	Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2017	\$ 2,034,706	\$ 5,644,033	\$ 2,623,167	\$ —	\$ 10,301,906
Depreciation charge	682,707	2,118,681	927,915	—	3,729,303
<b>Balance at December 31, 2017</b>	<b>\$ 2,717,413</b>	<b>\$ 7,762,714</b>	<b>\$ 3,551,082</b>	<b>\$ —</b>	<b>\$ 14,031,209</b>

### Contributed tangible assets:

Contributed tangible assets have been recognized at a fair market value at the date of contribution. The value of contributed assets received during the year is \$3,284,967 (2017 - \$2,936,510), comprised of distribution infrastructure.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## 6. Property, plant and equipment (continued):

### (c) Carrying amounts:

	Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
At December 31, 2018	\$ 22,483,175	58,552,914	15,963,211	232,287	97,231,587
At December 31, 2017	23,180,097	55,917,528	16,222,839	37,675	95,358,139

### (d) Security:

At December 31, 2018, properties with a carrying amount of \$97,231,587 (2017 - \$95,358,139) are subject to a general security agreement.

## 7. Payments in lieu of income taxes:

Payment in lieu of taxes expense (recovery):

Current PILs Expense:

	2018	2017
Current payments in lieu of income tax	\$ 8	\$ -
<u>Adjustment to prior years</u>	<u>-</u>	<u>127,500</u>
<u>Payment in lieu of income tax expense</u>	<u>\$ 8</u>	<u>\$ 127,500</u>

Deferred PILs Expense:

	2018	2017
Origination and reversal of timing differences	\$ 217,000	\$ 66,000
<u>Payment in lieu of income tax expense</u>	<u>\$ 217,008</u>	<u>\$ 193,500</u>

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## 7. Payments in lieu of income taxes (continued):

Reconciliation of effective tax rate:

	2018	2017
Net income being total comprehensive income for the year	\$ 1,539,834	\$ 127,283
Statutory rate	26.5%	26.5%
Income tax	408,056	33,730
Increase (decrease) resulting from:		
Permanent difference	1,662	899
Adjustment to prior year's recovery	(163,000)	127,500
Other	(29,710)	31,371
	<u>\$ 217,008</u>	<u>\$ 193,500</u>

Significant components of the Company's deferred tax balances are as follows:

	2018	2017
Deferred tax assets (liabilities):		
Plant and equipment	\$ (1,305,000)	\$ (782,000)
Donations	10,000	3,000
CMT credit	163,000	–
Non-capital loss carry forward	1,060,000	924,000
	<u>\$ (72,000)</u>	<u>\$ 145,000</u>

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## 8. Regulatory deferral account balance:

The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	January 1, 2018	Balances arising in the period	Recovery/ reversal	December 31, 2018	Remaining recovery/ reversal period (years)
<b>Regulatory deferral account debit balances</b>					
Regulatory Asset recovery Account Phase 6	\$ 35,801	\$ (13,136)	\$ -	\$ 22,665	<1
Regulatory Asset recovery Account Phase 8	56,026	-	80	56,106	1
Deferred taxes	52,000	-	98,000	150,000	
LRAMVA	(105,489)	3,120	528,978	426,609	<1
<b>Total amount related to regulatory deferral account debit balances</b>	<b>\$ 38,338</b>	<b>\$ (10,016)</b>	<b>\$ 627,058</b>	<b>\$ 655,380</b>	
<b>Regulatory deferral account credit balances</b>					
Settlement Variance	\$ (4,788,706)	\$ 44,156	\$ 4,071,895	\$ (672,655)	<1
Deferred Taxes	(197,000)	-	119,000	(78,000)	
Stranded Meters	3,786	(67)	(3,753)	(34)	<1
Smart Meter Entity Charges	24,916	(1,447)	(52,540)	(29,071)	3
Regulatory Asset Recovery Account Phase 5	(30,634)	-	-	(30,634)	<1
Regulatory Asset Recovery Account Phase 7	(59,066)	(16)	59,082	-	<1
Regulatory Asset Recovery Account Phase 9	-	(32,584)	(2,573,065)	(2,605,649)	<1
CGAAP Accounting Changes	2	-	-	2	1
<b>Total amount related to regulatory deferral account credit balances</b>	<b>\$ (5,046,702)</b>	<b>\$ 10,042</b>	<b>\$ ,620,619</b>	<b>\$ (3,416,041)</b>	
	January 1, 2017	Balances arising in the period	Recovery/ reversal	December 31, 2017	Remaining recovery/ reversal period (years)
<b>Regulatory deferral account debit balances</b>					
Regulatory Asset recovery Account Phase 6	\$ 31,963	\$ 3,838	\$ -	\$ 35,801	<1
Regulatory Asset recovery Account Phase 8	627,361	-	(571,335)	56,026	1
Deferred taxes	77,000	-	(25,000)	52,000	
Stranded Meters	3,847	(61)	-	3,786	<1
Smart Meter Entity Charges	35,268	312,558	(322,910)	24,916	3
<b>Total amount related to regulatory deferral account debit balances</b>	<b>\$ 775,439</b>	<b>\$ 316,335</b>	<b>\$ (919,245)</b>	<b>\$ 172,529</b>	
<b>Regulatory deferral account credit balances</b>					
Settlement Variance	\$ (3,046,784)	\$ (1,741,922)	\$ -	\$ (4,788,706)	<1
Deferred Taxes	(288,000)	-	91,000	(197,000)	
Regulatory Asset Recovery Account Phase 5	(30,634)	-	-	(30,634)	<1
Regulatory Asset Recovery Account Phase 7	(59,051)	(15)	-	(59,066)	<1
CGAAP Accounting Changes	2	-	-	2	1
LRAMVA	(10,502)	(94,987)	-	(105,489)	<1
<b>Total amount related to regulatory deferral account credit balances</b>	<b>\$ (3,434,969)</b>	<b>\$ (1,836,924)</b>	<b>\$ 91,000</b>	<b>\$ (5,180,893)</b>	

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## 8. Regulatory deferral account balance (continued):

The regulatory deferral account balances are recovered or settled through rates set by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory deferral account balances.

Group 1 deferral and variance accounts (Group 1 accounts) track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.

The OEB requires the Company to estimate its income taxes when it files a COS application to set its rates. As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

## 9. Long-term debt:

	2018	2017
Notes payable:		
(i) Ontario Infrastructure smart meter loan	\$ 3,636,943	\$ 3,930,566
(ii) Ontario Infrastructure building loan	18,534,697	19,096,479
(iii) Ontario Infrastructure construction loan	13,980,667	14,386,106
(iv) Note payable to parent company, PUC Inc.	26,534,040	26,534,040
	62,686,347	63,947,191
Current portion of long-term debt	1,312,680	1,260,844
	<b>\$ 61,373,667</b>	<b>\$ 62,686,347</b>

- i) Smart Meter Loan with Ontario Infrastructure and Lands Corporation (OILC): Reducing Debenture Facility, amortization period of 15 years to July 17, 2028. The loan interest rate of 3.82%. Interest of \$142,696 (2017 - \$153,773) was paid and expensed during the year. The loan is payable in the amount of \$220,496 semi-annual principal and interest. Security is in the form of a second ranking general security agreement.
- ii) Land and Building Loan with OILC: Reducing Debenture Facility, amortization period of 25 years to October 1, 2038. The loan interest rate of 4.57%. Interest of \$861,039 (2017 - \$886,088) was paid and expensed during the year. The loan is payable in the amount of \$118,568 monthly principal and interest. Security is in the form of a first charge over the Company's land and building and a third ranking general security agreement.

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## 9. Long-term debt (continued):

- iii) Electric Distribution Infrastructure Loan with OILC: The construction loan was converted to long term debt in 2016, at an interest rate of 3.47%, repayable over 25 years by a blended principal and interest payment of \$74,852 monthly maturing on May 16, 2041. Interest of \$492,790 (2017 - \$506,598) was paid and expensed during the year. Security is in the form of a fourth ranking general security agreement and a guarantee and assignment of shares from the company's shareholder, PUC Inc.
- iv) Note payable to parent company, PUC Inc., bears interest payable quarterly at rates periodically negotiated and principal payable one year after demand. The average interest rate for 2018 was 6.1% (2017 – 6.1%). The balance outstanding for 2018 is \$26,534,040 (2017 - \$26,534,040).

Principal payments on the long-term debt are as follows:

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	\$ 1,312,680
2019	1,366,680
2020	1,422,937
2021	1,481,545
2022	1,542,604
2023	55,559,901
2024 - 2041	<hr/> \$ 62,686,347

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2018	2017
Long term debt - beginning	\$ 63,947,191	\$ 65,158,275
Less: cash outflows for principal repayments	1,260,844	1,211,084
	<hr/> \$ 62,686,347	\$ 63,947,191

## 10. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service. The balance at December 31, 2018 is \$1,099,333 (2017 - \$1,144,445).

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## 11. Share capital:

	2018	2017
Authorized:		
Unlimited number of special shares, non-voting, non-cumulative		
Redeemable at \$10,000 per share		
10,000 Common shares		
Issued and outstanding:		
8,612 common shares	<u>\$ 20,062,107</u>	<u>\$ 20,062,107</u>

## 12. Other operating revenue:

Other income comprises:

	2018	2017
Rendering of services	\$ 3,614,085	\$ 4,112,444
Other	140,666	146,442
Amortization of deferred revenue	82,576	62,979
Gain on disposal of property, plant and equipment	80,256	-
<b>Total other income</b>	<b>\$ 3,917,583</b>	<b>\$ 4,321,865</b>

## 13. Finance income and expense:

	2018	2017
Interest income	\$ 10,151	\$ 22,622
Finance income	10,151	22,622
Interest expense on long-term debt	3,115,102	3,165,035
Other interest and carrying charges	28,556	34,514
	3,143,658	3,199,549
<b>Net finance costs recognized in profit or loss</b>	<b>\$ 3,133,507</b>	<b>\$ 3,176,927</b>

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## 14. Commitments and contingencies:

### i) General:

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

### ii) General Liability Insurance:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2018, no assessments have been made.

### iii) Letter of Guarantee:

The Company maintains a \$5,000,000 letter of guarantee with its Bank in favor of the IESO.

## 15. Related party transactions:

### (a) Parent, ultimate controlling party, and other related parties:

The sole shareholder of the Company is PUC Inc., which in turn is wholly-owned by the Corporation of the City of Sault Ste. Marie. The City produces financial statements that are available for public use. Other related parties include PUC Services Inc. (Services), and Public Utilities Commission of the City of Sault Ste. Marie (Utility).

### (b) Key management personnel:

The key management personnel of the Company have been defined as members of its board of directors and is summarized below:

	2018	2017
Directors' fees	\$ 9,534	\$ 12,052

### (c) Transactions with ultimate parent (the City):

In the year, the Company had the following significant transactions with its ultimate parent, a government entity:

The Company delivers electricity to the City throughout the year for the electricity needs of the City and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The amount charged to the City for electricity consumed by streetlights is \$811,058 (2017 - \$858,042) and for other electricity consumption is \$4,019,843 (2017 - \$4,187,577).

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## **15. Related party transactions (continued):**

### (d) Transactions with Services:

The Company has a management, operation and maintenance agreement with Services, which has been extended to November 30, 2022, under which Services manages, controls, administers and operates the business of the Company. During the year, management fees were paid to Services in the amount of \$4,618,259 (2017 - \$4,795,852).

The Company receives interest on its receivable balance to Services at the OEB prescribed short-term borrowing rate on its average monthly balance. Interest of \$946 (2017 - \$18,693) was received during the year.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration agreed to by the related parties.

## **16. Financial instruments and risk management:**

### (a) Fair value disclosure:

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

### (b) Financial risks:

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

#### i) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in the City. No single customer accounts for a balance in excess of 2.53% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the allowance for impairment at December 31, 2018 is \$355,521 (2017 - \$105,521).

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Company has over 33 thousand customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2018, the Company holds security deposits in the amount of \$1,099,333 (2017 - \$1,144,445).

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## **16. Financial instruments and risk management (continued):**

### **(b) Financial risks (continued):**

#### **ii) Market risk:**

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have any material commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

#### **iii) Liquidity risk:**

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2018, no amounts had been drawn under the Company's credit facilities.

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

#### **iv) Capital disclosures:**

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2018, shareholder's equity amounts to \$32,585,552 (2017 - \$31,295,726) and long-term debt amounts to \$62,686,347 (2017 - \$63,947,191).

# PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2018

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## 17. Transitional adjustments:

As a result of the transition to IFRS 9, the following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

Account	Measurement basis	As at December 31, 2017		As at January 1, 2018	
		IAS 39	Remeasurement/reclassification	IFRS 9	Measurement basis
Cash and cash equivalents	Loans and receivables	\$1,098,433	\$ –	\$1,098,433	Amortized cost
Accounts receivable	Loans and receivables	4,772,774	(250,000)	4,522,774	Amortized cost
Unbilled revenue	Loans and receivables	11,745,845	–	11,745,845	Amortized cost
Accounts payable	Financial liability – amortized cost	10,515,223	–	10,515,223	Amortized cost
Long-term debt	Financial liability – amortized cost	62,686,347	–	62,686,347	Amortized cost

The following table reconciles the closing allowance for credit losses in accordance with IAS 39 as at December 31, 2017 to the opening ECL allowance in accordance with IFRS 9 as at January 1, 2018:

	As at December 31, 2017	Transition adjustments	As at January 1, 2018
Allowance for credit losses	\$105,521	\$250,000	\$355,521

## 18. Comparative information:

Certain 2017 comparative amounts have been reclassified to conform to the financial statement presentation adopted for 2018.

Financial Statements of

**PUBLIC UTILITIES COMMISSION  
OF THE CITY OF SAULT STE. MARIE**

Year ended December 31, 2018

# **PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE**

Financial Statements

Year ended December 31, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Commissioners of the Public Utilities Commission of the City of Sault Ste. Marie,  
Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Sault  
Ste. Marie.

### ***Opinion***

We have audited the financial statements of the Public Utilities Commission of the City of Sault Ste. Marie. (the "Commission"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2018, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "KPMG LLP" above a horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario

April 3, 2019

# PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

## Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial assets:</b>		
Cash	\$ 2,288,938	\$ 3,201,291
Accounts receivable	2,532,046	2,353,165
Unbilled service revenue	707,707	721,276
<u>Receivable from related company, PUC Services Inc. (note 3)</u>	<u>1,755,445</u>	-
	7,284,136	6,275,732
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	2,895,959	2,914,602
Loan payable (note 5)	5,917,394	6,652,782
<u>Payable to related company PUC Services Inc. (note 3)</u>	<u>-</u>	<u>1,629,153</u>
	8,813,353	11,196,537
<b>Total net debt</b>	<b>(1,529,217)</b>	<b>(4,920,805)</b>
<b>Non-financial assets:</b>		
Tangible capital assets (note 7)	89,145,831	87,873,433
Inventory	315,146	319,138
<u>Prepaid expenses</u>	<u>-</u>	<u>3,196</u>
	89,460,977	88,195,767
<b>Accumulated surplus (note 8)</b>	<b>\$ 87,931,760</b>	<b>\$ 83,274,962</b>

The accompanying notes are an integral part of these financial statements.

# PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

## Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 2)	2018 Total	2017 Total
<b>Revenues:</b>			
Service revenue:			
Residential	\$ 10,803,870	\$ 11,123,565	\$ 10,203,003
General	7,417,280	7,688,890	7,182,197
Hydrants	1,244,745	1,325,372	1,276,627
	19,465,895	20,137,827	18,661,827
Other:			
Investment income	10,000	45,682	10,898
Non-service revenue	344,500	416,004	430,914
Developers contributions	-	146,070	617,513
	354,500	607,756	1,059,325
<b>Total revenues</b>	<b>19,820,395</b>	<b>20,745,583</b>	<b>19,721,152</b>
<b>Expenditures:</b>			
Purification and pumping	3,998,667	3,886,696	3,775,845
Transmission and distribution	3,932,826	4,212,547	3,403,963
Amortization of tangible capital assets	2,380,000	2,492,717	2,432,643
Hydrants	667,903	488,164	640,997
Billing and collection	1,238,127	1,219,605	1,413,161
Interest on long-term debt	196,478	196,532	219,808
General and administration	4,063,637	3,592,524	3,726,786
<b>Total expenses</b>	<b>16,477,638</b>	<b>16,088,785</b>	<b>15,613,203</b>
<b>Annual surplus</b>	<b>3,342,757</b>	<b>4,656,798</b>	<b>4,107,949</b>
Accumulated surplus, beginning of year	83,274,962	83,274,962	79,167,013
<b>Accumulated surplus, end of year</b>	<b>\$ 86,617,719</b>	<b>\$ 87,931,760</b>	<b>\$ 83,274,962</b>

The accompanying notes are an integral part of these financial statements.

# PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

## Statement of Change in Net Debt

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 2)	2018	2017
Annual surplus	\$ 3,342,757	\$ 4,656,798	\$ 4,107,949
Acquisition of tangible capital assets	(5,024,914)	(4,102,201)	(4,780,576)
Amortization of tangible capital assets	2,380,000	2,492,717	2,432,643
Disposal of tangible capital assets	-	337,086	-
	697,843	3,384,400	1,760,016
Change in prepaid expenses	-	3,196	(3,196)
Acquisition of inventory	-	(315,146)	(319,138)
Use of inventory	-	319,138	315,681
Change in net financial assets	697,843	3,391,588	1,753,363
Net debt, beginning of year	(4,920,805)	(4,920,805)	(6,674,168)
<b>Net debt, end of year</b>	<b>\$ (4,222,962)</b>	<b>\$ (1,529,217)</b>	<b>\$ (4,920,805)</b>

The accompanying notes are an integral part of these financial statements.

# PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

## Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used for):		
Operating activities:		
Annual surplus	\$ 4,656,798	\$ 4,107,949
Items not involving cash:		
Amortization of tangible capital assets	2,492,717	2,432,643
Developers contributions	(146,070)	(617,513)
Loss on disposal of tangible capital assets	337,086	-
	<u>7,340,531</u>	<u>5,923,079</u>
Change in non-cash assets and liabilities:		
Accounts receivable	(178,881)	126,930
Unbilled service revenue	13,569	(172,924)
Prepaid expenses	3,196	(3,196)
Inventory	3,992	(3,457)
Accounts payable	(18,643)	(952,178)
Increase in cash from operating activities	<u>7,163,764</u>	<u>4,918,254</u>
Capital activities:		
Cash used to acquire tangible capital assets	<u>(3,956,131)</u>	<u>(4,163,063)</u>
Financing activities:		
Repayment of loan payable	(735,388)	(712,897)
Payable to PUC Services Inc.	<u>(3,384,598)</u>	<u>(993,781)</u>
Net change in cash for financing activities	<u>(4,119,986)</u>	<u>(1,706,678)</u>
Decrease in cash	<u>(912,353)</u>	<u>(951,487)</u>
Cash, beginning of year	<u>3,201,291</u>	<u>4,152,778</u>
Cash, end of year	<u>\$ 2,288,938</u>	<u>\$ 3,201,291</u>

The accompanying notes are an integral part of these financial statements.

# PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Notes to Financial Statements

Year ended December 31, 2018

---

The Public Utilities Commission of the City of Sault Ste. Marie (the "Commission") is a body appointed by the Corporation of the City of Sault Ste. Marie to supply water and related services to its residents.

## 1. Significant accounting policies:

The financial statements of the Commission are prepared by management in accordance with accounting principles generally accepted in Canada for government organizations as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Commission are as follows:

### (a) Basis of accounting:

Revenues and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

### (b) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

#### (i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Buildings and building improvements	10 to 60
Machinery and equipment	5
Water infrastructure	15 to 100

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

# **PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE**

Notes to Financial Statements

Year ended December 31, 2018

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## **1. Significant accounting policies (continued):**

### **(b) Non-financial assets (continued):**

#### **(ii) Contributions of tangible capital assets:**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

#### **(iii) Inventory:**

Inventory, which consists of parts and supplies acquired for internal construction or consumption, is valued at the lower of cost and replacement cost.

### **(c) Revenue recognition:**

Revenue is recognized on the accrual basis, which includes an estimate of unbilled revenue for water consumed by customers since the date of each customer's last meter reading. Actual results could differ from estimates made of water usage.

### **(d) Use of estimates:**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

## **2. Budget figures:**

The budgets established for capital funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. As such, they may not be directly comparable with current year actual amounts.

# **PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE**

Notes to Financial Statements

Year ended December 31, 2018

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### **3. Related party transactions:**

The following entities are identified as related parties to the Commission:

- PUC Inc. – 100% owned by the Corporation of the City of Sault Ste. Marie (City).
- PUC Distribution Inc. (Distribution) – 100% owned by PUC Inc.
- PUC Services Inc. (Services) – 100% owned by the Corporation of the City of Sault Ste. Marie (City)

The Commission has a management, operation and maintenance agreement with Services, which currently has been extended to November 30, 2022, under which Services manages, controls, administers and operates the business of the Commission. All terms of the extension remain the same as the original agreement.

The Commission receives interest on balances receivable from Services at the Ontario Energy Board deemed interest rate on the average balance. Interest of \$45,682 (2017 – \$10,112) was received during the year.

The Commission was charged management fees and operational fees by Services in the amount of \$5,143,447 (2017 – \$5,200,945). These transactions have been recorded at the exchange amount which is the agreed amount between the related parties.

### **4. Credit facility:**

The Commission has an authorized line of credit facility available in the amount of \$6,200,000. The credit facility bears interest at prime plus 0.5% and is secured by a general security agreement. At December 31, 2018, \$Nil (2017 - \$Nil) was outstanding under the facility.

### **5. Loan payable:**

	2018	2017
Loan payable incurred by The Commission	\$ 5,917,394	\$ 6,652,782

The loan is repayable \$77,660 monthly including interest at 3.11% and matures on January 12, 2026.

The Corporation of the City of Sault Ste. Marie (the “Guarantor”) guarantees payment to the Bank of all present and future debts and liabilities, including interest due at any time by the Commission to the Bank. The Guarantor shall be limited to the sum of \$8,000,000 together with interest from the date of demand for repayment.

# PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Notes to Financial Statements

Year ended December 31, 2018

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## 5. Loan payable (continued):

Principal payments due on the loan payable for the next five fiscal years are as follows:

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2019	\$ 758,587
2020	782,518
2021	807,205
2022	832,670
2023	858,938

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## 6. Expenditures by object:

Total expenditures by object are as follows:

	2018	2017
Salaries and benefits	\$ 4,095,530	\$ 4,022,519
Materials, supplies and services	9,500,538	9,158,040
Amortization of tangible capital assets	2,492,717	2,432,643
	<hr/> \$ 16,088,785	<hr/> \$ 15,613,202

# PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Year ended December 31, 2018

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## 7. Tangible capital assets:

Cost		Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Land	\$	823,785	2,225	-	826,010
Buildings and building improvements		9,267,454	-	-	9,267,454
Water infrastructure		132,141,765	4,085,978	-	136,227,743
Work in progress		397,009	13,998	(337,086)	73,921
<b>Total</b>	<b>\$</b>	<b>142,630,013</b>	<b>4,102,201</b>	<b>(337,086)</b>	<b>146,395,128</b>

Accumulated Amortization		Balance at December 31, 2017	Disposals	Amortization	Balance at December 31, 2018
Land	\$	-	-	-	-
Buildings and building improvements		4,527,440	-	152,283	4,679,723
Water infrastructure		50,229,140	-	2,340,434	52,569,574
Work in progress		-	-	-	-
<b>Total</b>	<b>\$</b>	<b>54,756,580</b>	<b>-</b>	<b>2,492,717</b>	<b>57,249,297</b>

	Net book value, December 31, 2017	Net book value, December 31, 2018
Land	\$ 823,785	826,010
Buildings and building improvements	4,740,014	4,587,731
Water infrastructure	81,912,625	83,658,169
Work in progress	397,009	73,921
<b>Total</b>	<b>\$ 87,873,433</b>	<b>89,145,831</b>

### Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$146,070 (2016 - \$617,513) comprised of water infrastructure.

# PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Year ended December 31, 2018

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## 7. Tangible capital assets (continued):

Cost		Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$	823,563	222	-	823,785
Buildings and building improvements		9,261,657	5,797	-	9,267,454
Water infrastructure		127,366,634	4,775,131	-	132,141,765
Work in progress		397,583	(574)	-	397,009
<b>Total</b>	<b>\$</b>	<b>137,849,437</b>	<b>4,780,576</b>	<b>-</b>	<b>142,630,013</b>
Accumulated Amortization		Balance at December 31, 2016	Disposals	Amortization	Balance at December 31, 2017
Land	\$	-	-	-	-
Buildings and building improvements		4,377,108	-	150,332	4,527,440
Water infrastructure		47,946,829	-	2,282,311	50,229,140
Work in progress		-	-	-	-
<b>Total</b>	<b>\$</b>	<b>52,323,937</b>	<b>-</b>	<b>2,432,643</b>	<b>54,756,580</b>
		Net book value, December 31, 2016			Net book value, December 31, 2017
Land	\$	823,563			823,785
Buildings and building improvements		4,884,549			4,740,014
Water infrastructure		79,419,805			81,912,625
Work in progress		397,583			397,009
<b>Total</b>	<b>\$</b>	<b>85,525,500</b>			<b>87,873,433</b>

# **PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE**

Notes to Financial Statements

Year ended December 31, 2018

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## **8. Accumulated surplus:**

Accumulated surplus is comprised of:

	2018	2017
Invested in tangible capital assets	\$ 89,145,831	\$ 87,873,433
Operating fund	(1,214,071)	(4,598,471)
	<hr/> <b>\$ 87,931,760</b>	<hr/> <b>\$ 83,274,962</b>

**THE CORPORATION OF THE CITY OF SAULT STE. MARIE**  
**BY-LAW 2019-115**

**AGREEMENT:** (P4) A by-law to authorize the execution of the Agreement between the City and Bell Mobility Inc. for a cellular service contract.<sup>40</sup>

**THE COUNCIL** of The Corporation of the City of Sault Ste. Marie, pursuant to section 9 of the *Municipal Act, 2001*, S.O. 2001, c. 25, **ENACTS** as follows:

**1. EXECUTION OF DOCUMENT**

The Mayor and City Clerk are hereby authorized for and in the name of the Corporation to execute and affix the seal of the Corporation to the Agreement dated June 17, 2019 between the City and Bell Mobility Inc., a copy of which is attached as Schedule "A" hereto. This Agreement is for a cellular service contract.

**2. SCHEDULE "A"**

Schedule "A" forms part of this by-law.

**3. EFFECTIVE DATE**

This by-law takes effect on the day of its final passing.

**PASSED** in open Council this 17<sup>th</sup> day of June, 2019.

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**MAYOR - CHRISTIAN PROVENZANO**

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**CITY CLERK - MALCOLM WHITE**

## Schedule "A"



### BELL MOBILITY CORPORATE ACCOUNT AGREEMENT

Name of Client: "Client"	Sault Ste Marie City of	
Client Address for Billing and Notice:	99 Foster Dr Sault St Marie ON P6A 5N1	
Client Contact Name:	Tim Gowans	Tel: 705 759 5298
Client Contact Email Address for Notice:	<a href="mailto:t.gowans@cityssm.on.ca">t.gowans@cityssm.on.ca</a>	
Bell /Agent Contact Name:	Maria Ercoli/Liliana Lehtinen	Tel: 514 420 8217
Bell /Agent Contact Email Address:	<a href="mailto:Maria.ercoli@bell.ca">Maria.ercoli@bell.ca</a>	
Initial Term of Agreement ("Initial Term"):	Starts (MM/DD/YYYY) ("Start Date"): 06/13/2019	Ends (MM/DD/YYYY): 06/13/2023

For good and valuable consideration Client and Bell Mobility Inc. ("Bell") agree:

**1. Services:** Bell shall provide the services associated with the rate plan(s) set out in Section 4 (the "Rate Plan(s)"), and/or other services used or requested by Client or its Users (collectively with the Rate Plans, the "Services"), in connection with each wireless communication device intended for use with the Services (including any replacements or upgrades thereto) (a "Device") activated for Client or its Users on the Bell network, on the terms and conditions set out in this Agreement including the General Terms and Conditions found at Schedule A, which are incorporated by reference into and form a part of this Agreement. Bell enters into this Agreement for itself and as agent for: MTS Allstream Inc. ("MTS") (except with respect to HSPA Devices activated in Manitoba), Saskatchewan Telecommunications ("SaskTel"), NorthernTel Limited Partnership ("NorthernTel") and Telebec Limited Partnership ("Telebec") with respect to Devices activated in their respective territories. **Bell Mobility Inc.** and "Bell" as used in this Agreement include MTS, SaskTel, NorthernTel and Telebec. "User" means each individual user of the Services who is an employee or other authorized representative of Client or its subsidiaries. "Client" includes all or any Users. "Device" includes but is not limited to a mobile phone, pager, Smartphone, tablet, wireless modem, connection card or mobile Internet stick, handheld or other computer, SIM (subscriber identity module) card, and any replacements or upgrades of these. Devices are provisioned with certain Services; not all Services can be blocked at Client's request.

#### 2. Fees, Minimum Commitment and Pricing Adjustments:

(a) Client shall pay the fees and charges referenced in Sections 2(c), 4 and 5 and any late payment charges (collectively, the "Fees") and all applicable taxes, without set-off, in accordance with this Agreement. A User may transfer to a rate plan other than the Rate Plan(s) (as defined in Section 4), on payment of applicable change fees, but the User and Client shall not receive the discounts or special pricing offered under this Agreement with respect to that User, including for any added features and services.

(b) During the Term Client agrees to maintain the minimum number of Devices, set out in Section 6, activated on the Bell network under the Rate Plan(s) ("Activated"). If the minimum number of Devices (i) is not Activated within the number of days of the Start Date set out in Section 6 and/or (ii) does not remain Activated at all times during the Term, Bell may change or eliminate any special pricing or discounts provided to Client and require payment of any amounts owed as if the Client had not qualified for discounts or special pricing. A Device activated on the Bell network prior to the Start Date and not deactivated will be included in the minimum number of Devices once the Rate Plan and features have been assigned to the Device. To the extent any rebates on Device prices are offered to Client in exchange for certain commitments, they are available only while supplies of the Devices last.

(c) Upon at least 30 days advance notice to Bell by Client as set out in the Notices and Communications section of Schedule A, the Client or a User may (i) deactivate a Device and terminate the related Services, or (ii) deactivate either or both of the voice and data feature on a Device activated with both a voice and data feature. The Client must pay a fee if (i) the Device is terminated within two years of the date it was first activated, or before the end date of the current term commitment under any User's individual written service agreement if any, whichever is earlier; or (ii) Client or User deactivates either or both of the voice and data feature on a Device activated with both a voice and data feature (the "Early termination Fee" or "ETF"). The ETF is calculated as follows:

ETF = \$200 / Total number of months in the entire term commitment of User X Total number of remaining months in the current term commitment of User:

Example for a User whose term commitment is two years:

- Total number of months in the entire term commitment of User = 24
- User's Service cancelled after 2 months, therefore total number of remaining months in the current term commitment of User = 24 - 2 = 22
- ETF = \$200 / 24 X 22 = \$183.33

(d) Provided that Client has maintained continuous, uninterrupted voice and data services for a period of at least 24 consecutive months in respect of a particular Device, the User of such Device shall be entitled to receive Bell's then-current hardware upgrade offers provided that Client agrees (a) to pay the then-current rates for hardware (based on the applicable Service Commitment Period without any additional discounts; and (b) that certain offers available only to new subscribers may not be available to Client in connection with such upgrades.

Client Initials

(e) The following portions of the following fees are waived during the Initial Term:

- Activation Fee – Waived up to \$35
- Hardware Upgrade Fee – Waived up to \$35
- Hardware Change Fee – Waived up to \$20
- Password Change Fee – Waived up to \$5
- Number Change Fee – Waived up to \$25
- Restore from Cancel Fee – Waived up to \$25
- Invoice Reprint Fee – Waived up to \$5
- INDV/EPP to CORP Postpaid Account Type Change Fee – Waived up to \$25
- Transfer of liability Fees (Corporate to consumer/business or vice versa) – Waived up to \$25

**3. Term and Termination.** Client may terminate this Agreement or the Services for a Device at any time during the Initial Term by providing 30 days prior written notice to the Bell contact above. Client shall pay any applicable ETF plus taxes. Other termination rights are set out in Section 20 of the General Terms and Conditions. After the Initial Term expires (unless earlier terminated), this Agreement will continue in effect on the same terms and conditions on a month-to-month basis until either party gives the other 30 days advance written notice of termination. The Initial Term and any additional period of time before termination are collectively referred to as the "Term". After the Initial Term Bell may change the Rate Plan(s) and Fixed Fees, and make any other changes to this Agreement or the Services, by giving Client at least 30 days advance written notice. After this Agreement is terminated no new Devices may be activated hereunder and Sections 2(b) and 6 shall not apply. However, Bell will continue to provide and Client will continue to receive the Services for each existing Device until Bell, Client or a User deactivates a Device and terminates the related Services, and the terms of this Agreement will otherwise continue to apply during such time with respect to such Services and Devices.

**4. Rate Plan(s).** Bell will make commercially reasonable efforts to make the following plan(s) available to Client at the prices listed below, subject to the terms and conditions of this Agreement, and subject to Device compatibility, effective as of 90 days from date of first bill cycle after Start Date.

<b>Business Plan – per User, per month (Airtime)</b>	
Rate Plan name:	<b>PFO Offer Corp Voice Plan</b>
Included usage:	Unlimited local calling
Share Plan:	No
Subscribers contract terms:	24
<b>Monthly Access Fee:</b>	
Basic:	\$4.75
<b>Airtime Rate per minute or megabyte</b>	
Local Voice Rate:	Unlimited local calling
Canada to Canada Long Distance Voice Rate:	\$0.01 per minute
Canada to US Long Distance Voice Rate:	\$0.15 per minute
Voice Roaming Rate:	Flex (in-market)
Data Rate:	see below data pricing – per megabyte
US Data Roaming Rate:	Flex (in-market)
<b>Other Charges:</b>	
†System Access Fee:	n/a
†911 Fee:	n/a
One time Connection Charge:	n/a
<b>Other:</b>	

<b>Features and Services</b>	<b>Basic Feature Rate</b>	<b>PFO Offer</b>	<b>Included Usage</b>	<b>Additional usage charge</b>
Call Waiting	Included	Included	0	\$0.00
Conference Calling	Included	Included	0	\$0.00
Call Forwarding	\$3.00	Included	0	\$0.00
Canadian MMS (video & picture messaging) – incoming & Outgoing	Included	Included	0	\$0.00
Message Centre	\$8.00	Included	0	\$0.00
Call Display	\$8.00	Included	0	\$0.00
Bell Mobile to Bell Mobile Local Calling	n/a	Included	0	\$0.00
Unlimited Incoming Local Calls	n/a	Included	0	\$0.00
Canadian SMS	\$15.00	Included	Ultd sms – in Canada	\$0.00
Unlimited Canada to Canada Long Distance	n/a	\$3.13	Ultd Canada to Canada Id calling	\$0.00
Unlimited Canada to Canada and Canada to US Long Distance	n/a	\$15.00	Ultd Canada to Canada and Canada to US Id calling	\$0.00
Unlimited Canadian Push-to-Talk	\$15.00	\$2.00	Ultd ptt in Canada	\$0.00
50 min CAN to CAN LD - \$0.50	\$0.50	\$0.50	50 minutes	\$0.01 per min
100 min CAN to CAN LD - \$1.00	\$1.00	\$1.00	100 minutes	\$0.01 per min
250 min CAN to CAN LD - \$2.50	\$2.50	\$2.50	250 minutes	\$0.01 per min
50 Canada to US Long Distance	n/a	\$5.00	50 minutes	\$0.15 per minute add'l
125 Canada to US Long Distance	n/a	\$10.00	125 minutes	\$0.15 per minute add'l
Roam Flex USA–Voice Text Data	n/a	\$0.00		Voice: 0 min \$0.00; 300 min \$15.00; Unlimited \$30.00 / Data: 0 MB-\$0.00,250 MB-\$20.00,500 MB-\$30.00,1 GB-\$50.00,2 GB-\$100.00,3 GB-\$150.00,5 GB-\$250.00,Overage: \$0.05/MB / SMS: 0 Txt \$0.00 Unlimited \$5.00
Roam Flex USA Voice	\$0.00	\$0.00		0 mins \$0.00; 300 mins \$15.00; Overage \$0.10/min; Long Distance *For international calls (outside of the U.S. and Canada) \$0.95/min
Roam Flex USA Data	\$0.00	\$0.00		0 MB \$0.00; 250 MB \$20.00; 500 MB \$30.00; 1 GB \$50.00; 2 GB \$100.00; 3 GB \$150.00; 5 GB \$250.00; Overage \$0.05/MB
Roam Flex USA Text	\$0.00	\$0.00		0 texts \$0.00; Ultd Texts \$5.00; Long Distance *For international texts (outside of the U.S. and Canada) \$0.15/text
Roam Flex Voice Zone 1	\$0.00	\$0.00		Voice: 0 min: \$0, Up to 100 minutes: \$30, Over 100 min.: \$30+\$0.50/min
Roam Flex Voice Zone 2	\$0.00	\$0.00		Voice: 0 min: \$0, Up to 75 minutes: \$30, Over 75 min.: \$30 + \$0.80/min
Roam Flex Voice Zone 3	\$0.00	\$0.00		0 min: \$0, Up to 25 minutes: \$50, Over 25 min.: \$50+\$2.00/min
Roam Flex Data Zone 1	\$0.00	\$0.00		0 MB: \$0, Up to 250 MB: \$30.00, Up to 500 MB: \$50.00, Up to 1 GB: \$75.00, Over 1 GB: \$75 + \$0.25/MB
Roam Flex Data Zone 2	\$0.00	\$0.00		0 MB: \$0, Up to 200 MB: \$30, Up to 500 MB: \$75, Over 500 MB:

				\$75 + \$0.50/MB
Roam Flex Data Zone 3	\$0.00	\$0.00		0 MB: \$0, Up to 100 MB: \$40, Up to 250 MB: \$75, Over 250 MB: \$75 + \$1.00/MB
Roam Flex Text Zone 1	\$0.00	\$0.00		0 sent texts \$0; Up to 200 sent texts: \$15; Over 200 sent texts: \$15 + \$0.15/sent text
Roam Flex Text Zone 2	\$0.00	\$0.00		0 sent texts ;\$0; Up to 200 sent texts: \$15; Over 200 sent texts: \$15 + \$0.15/sent text
Roam Flex Text Zone 3	\$0.00	\$0.00		0 sent texts: \$0; Up to 100 sent texts: \$50; Over 100 sent texts: \$50 + \$0.50/sent text

Data Feature, Per user, per month when adding to voice plan	Included Data	PFO Offer	Additional Data Usage Charge Individual	USA Data Roaming
<b>Blackberry Feature</b>				
BlackBerry Flex	6GB Email, Internet & Tethering	\$14.30	Flexible Data: Up to 6GB \$14.30 6GB to Unlimited total \$45	Flex (in-market)
<b>SmartPhone (iOs/Android/Windows) Features</b>				
SmartPhone Flex	6G B Email, Internet & Tethering	\$14.30	Flexible Data: Up to 6GB \$14.30 6GB to Unlimited total \$45	Flex (in-market)
<b>DATA Price Plan PFO Offer for Corporate Modem Plan– per user/per month</b>				
Rate Plan Name	PFO Offer Corp Modem Price Plan			
	Included Data	PFO Offer	Additional Data	USA Data Roaming
PFO Offer Modem Plan	6GB	\$14.30	Flexible Data: Up to 6GB \$14.30 6GB to Unlimited total \$45	Flex (in-market)
<b>Data Price Plan PFO Offer for Corporate Turbo Stick/Mobile Internet Plan– per user/per month</b>				
Rate Plan Name	PFO Offer Corp Turbo Stick/Mobile Internet Price Plan			
	Included Data	PFO Offer	Additional Data	USA Data Roaming
PFO Offer Mobile Internet Plan	6GB	\$14.30	Flexible Data: Up to 6GB \$14.30 6GB to Unlimited total \$45	Flex (in-market)
<b>Data Price Plan PFO Offer for Corporate Tablet Plan – per user/per month</b>				
Rate Plan Name	PFO Offer Corp Tablet Price Plan			
	Included Data	PFO Offer	Additional Data	USA Data Roaming
PFO Offer Tablet Plan	6GB	\$14.30	Flexible Data: Up to 6GB \$14.30 6GB to Unlimited total \$45	Flex (in-market)
<b>Features and Services per user/per month on Modem, Turbo Stick &amp; Tablet Price Plans:</b>				
US Data Roaming Rate		n/a	Included	Flex (in-market)
Travel Intl Europe Data – pay-per-use		n/a	Included	Flex (in-market)
Travel Intl Data (Asia/Australia/South Amer)		n/a	Included	Flex (in-market)
Travel Intl Data (Africa)		n/a	Included	Flex (in-market)
System Access Fee		\$8.95	Included	N/A
911 Service		\$0.75	Included	N/A

One-time Activation Fee	\$35.00	Included	N/A
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*Should Client sign up a Device for a data price plan without a voice price plan and Client uses said Device for voice Services, such voice usage will be charged at current market rates at Bell's sole discretion.*

† Rates do not include fees Bell is required to collect by some provincial governments related to provincially or municipally provided 911 emergency services. If a charge for provincial or municipal 911 emergency services is invoiced to Client, Client agrees to pay this amount to Bell and Bell shall remit the required amount to the applicable government.

If the Rate Plan grid above shows the item "Tethering" and it is shown as "Included", any use of the Device as a modem for a laptop or other computer will be included in the monthly data plan with overage charged at the per Megabyte rate shown above. If the "Tethering" item does not appear in the grid, or is shown as "Not Included", such use will not be included in the monthly data plan but all such use will instead be billed at standard pay per use rates.

For phone or smartphone users, emergency call routing with enhanced capabilities (known as e911 phase 2), which enables emergency services to more accurately determine the location of a caller is available in Bell coverage areas where technology permits. Visit bell.ca/e911 for details.

**5. Services and Fees.** Client shall pay all charges invoiced, including for all Services in respect of each Device. Charges payable include, but are not limited to, charges for any wireless voice, data and other Services provided by or through Bell, including monthly access, local airtime, system access, data network access and usage, plans, 911 (provisioning of emergency call routing), voicemail, call display, other features, long distance and roaming (for which Client will also be charged for foreign taxes that Bell incurs in providing such long distance and roaming services), paging, text, picture, video or other messaging, content, downloads, applications, streaming, browser usage, Internet access, Wi-Fi hotspot usage, other usage, wireless payment and other transactions, number transfers, client care, data support, professional services, activation, programming, changes (such as account transfer or change of rate plans), SIM cards, upgrades, "loaner" devices, out-of-warranty servicing, administration (such as for NSF cheques and reinstatement after suspension, and collection efforts) and re-connection. Note that certain older (legacy) rate plans may also contain charges for the system access fee (SAF) and/or 911 (emergency call routing) fee. Where applicable, these fees are charged as part of the consideration for Bell providing wireless services to Client. Such fees are not required by nor collected for the government. Client may select one of the rate plans set out in the tables within Section 4 of this agreement which do not contain SAF or 911 fees. Client shall also pay all charges for Devices (including upgrade or replacement charges), software, other equipment and accessories, and shipping and handling charges. Charges other than the Fixed Fees shall be in accordance with Bell's standard pricing policies from time to time. Clients who cancel a feature included in the Monthly Access Fee will continue to pay the full Monthly Access Fee. **Important: Pay Per Use Data Transport Charges; Acceptable Use provisions:** USING CERTAIN FEATURES, SERVICES AND APPLICATIONS ON OR WITH A DEVICE, DOWNLOADING CONTENT, AND USING THE DEVICE AS A MODEM FOR CONNECTIVITY (SUCH AS TO CONNECT A PERSONAL COMPUTER OR OTHER DEVICE TO THE INTERNET) MAY RESULT IN PER-KILOBYTE OR PER-MEGABYTE DATA TRANSPORT CHARGES. If Client subscribes to a data plan, Client will be charged additional per-kilobyte or per-megabyte rates as set out in the plan, for any data transport usage in excess of the data transport included in the monthly data plan fee. Client acknowledges certain restrictions on use apply to the Services, including any unlimited data features or plans, and are set out in Section 17 of the General Terms and Conditions.

**6. Minimum number of Devices:** 227

**7. Number of days from Effective Date for Activation of minimum number of Devices:** 120

**8. Invoicing:** Client will receive one monthly invoice for all Users (or identified Users, as applicable) addressed to the address and contact set out above (CORP billing).

**9. Arbitration:** To the extent permitted by applicable law and unless otherwise agreed, all disputes and claims pertaining to the Agreement, Services or Bell's advertising, marketing, or sale or provision of Services shall be determined by final and binding arbitration by a single arbitrator to the exclusion of the courts in the province in which the address Client provided in this Agreement is located (or the Province of Ontario if the address is outside of Canada), and in accordance with (a) Bell's arbitration policy located at [www.bell.ca/ArbitrationPolicy](http://www.bell.ca/ArbitrationPolicy), as it may be amended by Bell from time to time; and (b) the applicable arbitration legislation in effect in the province or territory referred to in this Section. For further clarification, for the purposes of this Agreement, all references in the aforementioned arbitration policy to Bell Canada will read as references to Bell Mobility Inc.

<b>Bell Mobility Inc.</b>		<b>Client Name:</b> Sault Ste Marie City of
Authorized Signature	Authorized Signature	Authorized Signature of Client
Name : Timothy Trainer	Name :	Name:Christian Provenzano
Title : Régional Manager, Dealer	Title	Title : Mayor
Date Signed By Client (MM/DD/YYYY):		17/06/2019

This Agreement is binding only once signed by Bell Mobility Inc.

Name: Malcolm White  
Title: City Clerk

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## SCHEDULE A - GENERAL TERMS AND CONDITIONS

**1. Services.** Services are available in Bell's and its roaming partners' coverage areas on compatible Devices where enabled and technology permits. Bell and its roaming partners may without notice, change the network or coverage areas (including by providing wireless Services through any technological means it deems appropriate), or change or end roaming relationships, and are not liable for any resulting changes in Client's ability to use the Services or the Device. Client can refer to bell.ca/coverage for maps and other information about coverage and roaming, including roaming and long distance charges. Roaming charges apply to toll-free and other special numbers. If Client roams in a roaming partner's coverage area (including Wi-Fi hotspot use) Client is also subject to the terms and conditions of the roaming partner including any limitation or exclusion of liability. Client will be given 30 days advance written notice of material changes Bell makes to Services to which Client subscribes.

Client's selected rate plan and some Services (including 911 services) may not work with all devices into which Client inserts a Bell SIM card. Client is responsible (a) to ensure its Services and selected rate plan are compatible with any device (whether provided by Bell or not), and (b) for charges that arise if they are not, or if Client changes the settings of a device or SIM card. Only Bell-issued SIM cards can be activated on Bell's network. A different rate plan may apply if Client moves to another province. Bell may restrict access to certain Services if Client does not subscribe to a rate plan or feature that includes them. Data-only devices including but not limited to as wireless modems and mobile internet sticks do not provide access to 911 services. Certain SIM cards will work only on the Devices for which they were purchased. Bell does not guarantee Services will achieve peak speeds, including those for which extra charges are payable in order to attain higher speeds. Actual speeds vary due to network availability, environmental and other factors.

If Client subscribes to a rate plan under which a User shares airtime or other Services included in a User's monthly plan with other Users on the account (a "Share Plan"), these shared Services are available to the group of Users on a first come, first serve basis. As a result, an individual User may not be able to use the total amount of included Services set out in his/her Share Plan. Certain Services in a Share Plan are not available for sharing with other Users. A User's total amount of shared Services available to the group of Users at any given time is subject to the size of the group and each Share Plan chosen by each group member. At least two Users must be activated on a Share Plan.

Solely as required for Bell to provide Client the Services, and subject to Section 3 (Privacy), Client grants Bell and Bell's suppliers a world-wide, royalty-free, unrestricted license and waiver of moral rights to use, copy, adapt, transmit, display and perform, distribute and create compilations and derivative works from, any and all user content Client elects to transmit in connection with the Services.

**2. Users.** The Client represents, warrants and agrees that each User is an employee or other authorized representative of the Client or its subsidiaries at all times while the User is using the Services, and that the Devices and Services Users obtain by virtue of this Agreement are for purposes of Client's or its subsidiaries' business. The Client shall provide proof of each User's status at Bell's request. If one or more "Users" are not in fact employees or representatives of the Client then their accounts shall be transferred to a standard price plan or terminated, as determined by Bell, but they shall otherwise continue to be bound by this Agreement. The Client must ensure all Users have notice of and comply with this Agreement, and the Client is liable for User's non-compliance. The Client is responsible for all Fees and taxes billed to the Client directly. The User and the Client are jointly responsible for all Fees and taxes billed to the User directly and other obligations in this Agreement, individually and together. If any User signs an individual service agreement for the Device and the Services, this Agreement shall prevail to the extent of any conflict or inconsistency with the individual service agreement, including with respect to ETF amounts. Bell is entitled to take and rely on instructions from any User with respect to such User's Services and Device. The Client and not Bell is responsible to ensure that the Users comply with any of Client's policies, rules or guidelines with respect to the use and payment for the Devices and Services.

**3. Protection of Client's Privacy.** All information that Bell keeps about the Client is protected under the Bell Privacy Policy (view at bell.ca/privacy). If Bell's Privacy Policy or applicable law requires Bell to obtain express consent from Client for any activity, express consent is deemed to be given by Client where an objective documented record of Client's consent is created at the time such consent is given. Unless Client provides express consent or disclosure is pursuant to a legal power, Bell will not disclose Client personal information to anyone other than to:

- i. Client or an authorized representative of Client;
- ii. another telecommunications service provider to provide Client with efficient and cost-effective telecommunications service;
- iii. an agent that Bell retains to evaluate Client's creditworthiness or collect Client's account, provided that the information is required for and is to be used only for, that purpose; and/or
- iv. a public authority if it appears there is imminent danger to life or property.

**4. Credit Information.** By signing this Agreement, Client also consents to (i) Bell collecting information about Client's credit history from other Bell Companies (as defined below), credit grantor or credit reporting agency, and maintaining and using information about Client's credit history, to activate Client's Service and assist in collecting amounts owed by Client, and disclosing Client's Bell credit history to other credit grantors and credit reporting agencies, and (ii) if Client is a client of any of Bell Canada, Bell Mobility, Bell TV, or any other subsidiary of Bell Canada (together, the "Bell Companies"), to receiving one bill for the Service and the services of the other Bell Companies if and when such billing consolidation is available.

**5. Confidential Information.** Client agrees to take such care to protect the confidentiality of the Bell Confidential Information as would be taken by a reasonable party to protect its own confidential information from disclosure and, except as required by law or to carry out its obligations or receive the Services under this Agreement, Client agrees not to use or disclose the Bell Confidential Information without Bell's prior written consent. "Bell Confidential Information" means any data, documentation or other information of a proprietary nature of Bell, whether or not identified as being confidential or proprietary, which is disclosed or made available to Client in connection with the negotiation, preparation or performance of this Agreement and the design, installation, delivery or

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Implementation of the Services, including pricing information and network design specifications. Bell Confidential Information excludes any data, documentation or other information which is (i) in the public domain, (ii) known to the Client without confidentiality obligations attached thereto prior to receipt thereof from Bell, or (iii) available to the Client on a non-confidential basis from a source other than Bell, if that source or its source is not in breach of any obligations of confidentiality to Bell.

**6. Client's telephone number and Identifiers.** Client does not own the telephone number, IMSI (International Mobile Subscription Identity), IP address, email address or other identifiers that Bell has provided or assigned to Client and Bell reserves the right to change any of them if required. Bell will notify Client in advance of any such change, and Bell will not be liable for any costs, damages or losses associated with this change.

Client's telephone number and other identifiers, including Client's name or the name of any User of the Device on the account may be automatically displayed to the person called, other carriers, or to Bell. Client may permanently block the display by telling Bell when Client activates service or on a per-call basis at any time in accordance with instructions posted on [www.bell.ca/mobility](http://www.bell.ca/mobility) from time to time.

**7. Transferring Number to Bell; to Another Service Provider:** Bell is not responsible or liable to Client in any way for any interruption of services due to a number transfer.

(i) If Client asks to transfer a phone number assigned to Client from its existing service provider to Bell, Client represents and warrants that it has the right to make the request and Client authorizes Bell to make the "transfer-in" request to the other service provider on Client's behalf and to share Client's name, telephone number, address and other relevant personal information with the other service provider. Client agrees to sign a request form if necessary. The services, content, IP address, email address, and perhaps the device provided by the other service provider may not be transferrable to Bell.

(ii) To transfer a wireless phone number to another service provider(as long as Client's account and phone number are active), Bell will process a "transfer out" request from Client's new chosen service provider. Any ETF applicable to the termination of the Services will apply, plus taxes. Client shall pay the monthly charges applicable for the 30 days after the transfer is requested. The Services, content, IP address, email address, and some Devices may not be transferrable to Client's new service provider.

**8. Warranty, License and Return Policy.** Client's Devices (including any accessories or other equipment) obtained from Bell or its authorized distributors in connection with the Services are subject to the manufacturers' warranties, and any extended warranty that Client may have purchased. Any extended warranty claims must be made in accordance with the terms of the actual warranty purchased. Clients should refer to individual Users' service agreements (if applicable) for any applicable return provisions. Bell may (but is not required to) arrange with the manufacturer on Client's behalf to repair out-of-warranty Devices and may charge fees in connection with such repair services which will be advised to Client before Client chooses to receive such services. Client Unlocking a Device may void the manufacturer's warranty and Bell will not provide a warranty or return policy for the unlocked Device. By enabling or activating any aspect of the Services, including applications, transactions, downloads, games or other content, Client agrees to abide by any written end-user license, warranty and other terms and conditions that are made available in connection with the use of such aspects of the Services.

BELL DOES NOT WARRANT OR GUARANTEE THAT THE DEVICE, EQUIPMENT, ACCESSORIES OR SERVICES WILL OPERATE ERROR-FREE OR WITHOUT FAILURE OR INTERRUPTION, OR THAT ANY COMMUNICATIONS WILL BE PRIVATE OR SECURE. THE ABILITY TO CREATE OR MAINTAIN A MOBILE COMMUNICATION CONNECTION AND THE QUALITY OF THE CONNECTION ARE NOT EQUAL OR ADEQUATE IN EVERY LOCATION AT ANY TIME. SERVICES MAY BE ADVERSELY Affected BY PHYSICAL FACTORS (E.G. BUILDINGS, TUNNELS OR MOUNTAINS), ATMOSPHERIC CIRCUMSTANCES, OR CHANGES TO OR MAINTENANCE OF THE NETWORK, INTERCONNECTION FAILURES, JAMMING TRANSMITTERS, OR OTHER CAUSES.

BELL DISCLAIMS ANY OTHER REPRESENTATIONS, WARRANTIES AND CONDITIONS, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE, OR RELIABILITY OR AVAILABILITY OF THE SERVICE.

**9. Updates.** Bell may update the software, features and settings on Client's Device (including Non-Bell Devices with a Bell SIM card) including through "Over-The-Air" means as necessary, without notice, and Client acknowledges such updates may be required in order to ensure continuity of Services.

**10. Pre-Authorized Payment; Credit Limit; Security Deposit.**

i. Client authorizes Bell to charge Client's credit card or other pre-authorized payment vehicle the amount of any charges (including taxes) due under Client's account (including as a result of termination of Services before the end of a Service Commitment Period). Client promises that the credit card for which Client has provided information to Bell is in Client's name, is valid and has not expired. Client promises to promptly advise Bell if Client's credit card information changes for any reason.

ii. Bell may, but is not required to, impose or change a limit on the balance that can be outstanding on Client's or any User's account at any time (Credit Limit), on advance notice to Client. The Services may be suspended at any time if Client's balance, including unbilled usage and pending charges and adjustments, exceeds this limit. Bell may charge an administrative fee to re-start the Services. Notwithstanding the Credit Limit or suspension, Client must pay Bell any amounts owing in excess of the Credit Limit.

iii. Based on Client's credit rating or usage charges, Bell may require a refundable security deposit from Client at any time. Bell may apply all or part of the security deposit, if any, to any outstanding amounts owed by Client to Bell, upon prior notice to Client. All deposits when returned shall be returned without payment or accrual of interest.

**11. Payments.** Client's monthly bill is payable upon the date of the bill. Client will be charged interest on the balance owing at the rate of two percent per month (or 26.82% per year) (or such other rate as Bell notifies Client in writing), calculated from the date of

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the bill, if payment is not received by Bell before the next bill date. Client must allow adequate time for payment processing and receipt by Bell. Bell reserves the right to require immediate payment in full of amounts, whether billed or not, that are inconsistent with Client's normal usage pattern. Bell will apply any credits due to Client against future charges payable by Client under this Agreement, if Client notifies Bell within 90 days of receipt of Client's bill for which a credit is claimed.

Unless otherwise expressed as part of Client's rate plan, feature or bundle, airtime and long distance usage are rounded up to the nearest minute, and data usage is rounded up to the nearest kilobyte. Rounding practices for U.S. international voice and data roaming may vary. If Client uses a part of a minute or kilobyte Client will be billed and agrees to pay for the entire minute or kilobyte. Airtime charges (and long distance charges, if applicable) apply (a) for calls Client makes, from the time Client presses "Send" or otherwise initiate the call, until Client presses "End" or the call is otherwise disconnected; and (b) for calls Client receives, from the moment the call connects to Bell's network, including ring time, until Client presses "End" or the call is otherwise disconnected.

**12. Loss or theft.** Client shall notify Bell immediately at 1 800 667-0123 if Client's Device or SIM card is lost, stolen or destroyed. Client is responsible for the cost of replacing it and/or any ETF that may apply if Client chooses to cancel the Services, and for all fees and charges incurred prior to Client notifying Bell.

**13. Monitoring.** Bell has the right but not the obligation to access, monitor, investigate and preserve a record of any content transmission or other use of the Services. Client consents to any such activities that are undertaken to satisfy any law or to enhance operating efficiencies, improve service levels, assess client satisfaction, or protect Bell or its clients from use of the Services contrary to Section 17.

**14. LIMITS ON LIABILITY.** EXCEPT FOR A VIOLATION BY BELL OF SECTION 3 OF THESE GENERAL TERMS AND CONDITIONS, OR FOR PHYSICAL INJURIES OR DEATH, OR DAMAGE TO PROPERTY CAUSED BY BELL'S GROSS NEGLIGENCE, FOR WHICH, IN EACH CASE, BELL'S LIABILITY SHALL NOT BE LIMITED, BELL IS NOT LIABLE TO CLIENT OR ANYONE USING THE DEVICE OR THE SERVICES, OR ANY THIRD PARTIES, FOR THE FOLLOWING:

I. DEFECTS, FAILURES OR INTERRUPTIONS IN SERVICE, INCLUDING TRANSMISSION;

II. ANY DAMAGES, INCLUDING LOSS OF PROFITS, LOSS OF PROPERTY, LOSS OF EARNINGS, LOSS OF BUSINESS OPPORTUNITIES, MISAPPROPRIATION OF PERSONAL INFORMATION STORED ON DEVICE OR SIM CARD OR ANY OTHER LOSS, HOWEVER CAUSED, INCLUDING THOSE ARISING DIRECTLY OR INDIRECTLY FROM USE OF THE SERVICES OR THE DEVICE;

III. ANY CONTENT TRANSMITTED ON OR RECORDED BY BELL'S FACILITIES, INCLUDING CONTENT THAT MAY BE ILLEGAL, DANGEROUS, DEFAMATORY, OFFENSIVE OR ANNOYING OR WHICH MAY INFRINGE UPON OTHERS' INTELLECTUAL PROPERTY, PRIVACY OR OTHER RIGHTS, OR ANY CONTENT, APPLICATION OR SERVICES PROVIDED TO CLIENT BY A THIRD PARTY FOR USE WITH THE DEVICE OR THE SERVICES, EVEN IF BELL BILLS CLIENT FOR SUCH CONTENT, APPLICATION OR SERVICES ON BEHALF OF SUCH THIRD PARTY;

IV. ANY BREACH BY CLIENT OF THE AGREEMENT, CLIENT'S NEGLIGENCE, OR ACTS OR OMISSIONS IN CONNECTION WITH THE SERVICES, OR THE DEVICE;

V. LOSS, THEFT, DAMAGE TO OR UNAUTHORIZED USE OF THE SERVICES, THE DEVICE, ANY EQUIPMENT, ANY BELL PREPAID CARDS, VOUCHERS, COLLATERAL, ELECTRONIC RECEIPTS OR ANY PERSONAL IDENTIFICATION NUMBER; AND

VI. ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES WHATSOEVER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE PROVISION OF SERVICES (INCLUDING LOST PROFITS, ANTICIPATED OR LOST REVENUE, LOSS OF DATA, LOSS OF USE OF ANY INFORMATION SYSTEM, FAILURE TO REALIZE EXPECTED SAVINGS OR ANY OTHER COMMERCIAL OR ECONOMIC LOSS, OR ANY THIRD PARTY CLAIM), WHETHER ARISING IN NEGLIGENCE, TORT, STATUTE, EQUITY, CONTRACT, COMMON LAW, OR ANY OTHER CAUSE OF ACTION OR LEGAL THEORY EVEN IF BELL HAS BEEN ADVISED OF THE POSSIBILITY OF THOSE DAMAGES.

EXCEPT FOR A VIOLATION BY BELL OF SECTION 3 OF THESE GENERAL TERMS AND CONDITIONS, OR FOR PHYSICAL INJURIES OR DEATH, OR DAMAGE TO PROPERTY CAUSED BY BELL'S GROSS NEGLIGENCE, FOR WHICH, IN EACH CASE, BELL'S LIABILITY SHALL NOT BE LIMITED, BELL'S TOTAL CUMULATIVE LIABILITY FOR DAMAGES, EXPENSES, COSTS, LIABILITY OR LOSSES (COLLECTIVELY, "DAMAGES") ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE PROVISION OF SERVICES, IF ANY, WHETHER ARISING IN NEGLIGENCE, TORT, STATUTE, EQUITY, CONTRACT, COMMON LAW, OR ANY OTHER CAUSE OF ACTION OR LEGAL THEORY EVEN IF BELL HAS BEEN ADVISED OF THE POSSIBILITY OF THOSE DAMAGES, IS LIMITED TO DIRECT, ACTUAL, PROVABLE DAMAGES AND WILL IN NO EVENT EXCEED AN AMOUNT EQUAL TO THE TOTAL AGGREGATE MONTHLY FEES (LESS ALL DISCOUNTS AND CREDITS) PAID BY THE CLIENT FOR THE SPECIFIC SERVICE(S) THAT GAVE RISE TO THE DAMAGES, DURING THE ONE-MONTH PERIOD BEFORE THE EVENT GIVING RISE TO THE DAMAGES, LESS AMOUNTS PAID FOR PREVIOUS CLAIMS, IF ANY.

THIS SECTION SHALL APPLY EVEN IF THERE IS A BREACH OF CONDITION, A BREACH OF AN ESSENTIAL OR FUNDAMENTAL TERM, OR A FUNDAMENTAL BREACH OF THIS AGREEMENT. CLIENT AGREES THAT THE LIMITATIONS OF LIABILITY SET OUT IN THIS SECTION ARE FAIR AND REASONABLE IN THE COMMERCIAL CIRCUMSTANCES OF THIS AGREEMENT AND THAT BELL WOULD NOT HAVE ENTERED INTO THIS AGREEMENT BUT FOR THE CLIENT'S AGREEMENT TO LIMIT BELL'S LIABILITY IN THE MANNER, AND TO THE EXTENT, PROVIDED FOR IN THIS SECTION.

The following applies when Bell provides e9-1-1 Services (provision of wireless phone number and location information to emergency service providers). (A) Bell's liability is not limited by the limitations set out below in cases of Bell's deliberate fault, gross

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negligence or anti-competitive conduct or in cases of breach of contract where the breach results from Bell's gross negligence. (B) Except in cases where Bell's negligence results in physical injury, death or damage to Client's property or premises, Bell's liability for negligence related to Bell's provision of e9-1-1 Services is limited to the greater of \$20 and three times the amount Client would otherwise be entitled to receive as a refund for the provision of defective service under this Agreement. (C) In addition, in respect of Bell's provision of e9-1-1 Services, Bell is not liable for: (i) libel, slander, defamation or the infringement of copyright arising from material or messages transmitted over Bell's telecommunications network from Client's property or premises or recorded by the Device or Client's or Bell's equipment; (ii) damages arising out of Client's acts, default, neglect or omission in the use or operation of the Device or equipment Bell has provided to Client; and (iii) any act, omission or negligence of other companies or telecommunications systems when facilities of such other companies or telecommunications systems are used in establishing connections to or from Client's facilities and Device and equipment.

**15. Force Majeure.** If there is a default or delay in a party's performance of its obligations under this Agreement (except for the obligation to pay Fees), and the default or delay is caused by circumstances beyond the reasonable control of that party including fire, flood, earthquake, elements of nature, pandemics, acts of God, explosion, power failure, war, terrorism, revolution, civil commotion, acts of public enemies, law, order, regulation, ordinance or requirement of any government or its representative or legal body having jurisdiction, or labour unrest such as strikes, slowdowns, picketing or boycotts, then that party shall not be liable for that default or delay, and shall be excused from further performance of the affected obligations on a day by day basis, if that party uses commercially reasonable efforts to expeditiously remove the causes of such default or delay in its performance.

**16. Notices and Communications.** Bell may send Client notices in accordance with the terms of this Agreement including communications about their account and related products and services, provided Bell gives notice through reasonable means including, but not limited to direct mail, bill messages, email, text message, telemarketing, automatic dialling and announcing device or voice mail. Client agrees to give Bell prompt notice of any change of name, address, email address or telephone number. All client service requests should be directed to the Client Service Department at the telephone numbers or addresses listed at the beginning of the main part of this Agreement. All notices of legal proceedings or legal demand letters must be provided to Bell Mobility, Law Dept., 5099 Creek bank Road, Mississauga, Ontario, L4W 5N2.

**17. Use of Service.** Client is responsible, and Bell is not responsible or liable, to prudently protect and safeguard the Device (including any SIM card) against loss, abuse, theft or damage, and for the use of the Device and the Services by Client and any other persons, except as provided under the heading "Loss or theft" above. Client shall not use or allow others to use the Services or the Device if such use:

- i. is for, or results in, any illegal, abusive, annoying or offensive activities, including making available offensive content, the commission or encouragement of a criminal offence, stalking, harassment, spamming, disrupting or interfering with the Internet, any network, computer or other devices, transmission of a virus or other harmful component, defamation, intellectual property infringement, or interference with other clients' service;
- ii. consumes excessive network capacity in Bell's reasonable opinion, or causes Bell's network, or Bell's ability to provide services to others, to be adversely affected;
- iii. is for multi-media streaming, continuous data transmission or broadcasts, automatic data feeds, automated machine to machine connections or peer-to-peer (P2P) file sharing, voice over Internet protocol or any other application which uses excessive network capacity that is not made available to Client by Bell;
- iv. is to provide a substitute or back-up for private lines or dedicated data connections such as DSL; or
- v. is to operate an email, web, server farm, news, chat or other service;

Unless, with respect to Sections 17(iii), (iv) and (v) above, Client agrees to pay in full all charges billed to Client at a rate which will be the greater of the in-market rate or \$30 per megabyte, regardless of the total amount due.

Client shall not threaten, abuse or harass any Bell employee or representative. Client shall not (a) commit, attempt to commit, or allow others to commit or attempt to commit, any fraud against Bell, including fraudulently obtaining Services or Devices, or (b) transform outbound communications into incoming communications or otherwise attempt to avoid applicable charges, or (c) otherwise abuse the Services or flat rate or unlimited use plans, or allow others to do any of the foregoing. Client shall not resell, transfer, distribute, share or exploit for commercial purposes any Services or engage in or allow any alteration, copying, reproduction of or tampering with electronic serial numbers, IMEI or other identification, signalling or transmission functions or components of the Device. In addition, Client must follow all other service regulations issued or adopted by Bell. Bell may immediately suspend, restrict, change or terminate all or part of Client's Services and this Agreement and deactivate Client's Device or take other necessary actions, if Bell reasonably believes there is a breach by Client of any of these "Use of Service" provisions. At any time Bell may temporarily reduce data throughput for a subset of customers who use a disproportionate amount of bandwidth in addition to any other steps that Bell deems necessary to: (i) ensure a good experience for the majority of its customers; (ii) minimize capacity issues; or (iii) avoid potential degradation in network performance.

**18. General.** The Client acknowledges that there are no other terms and conditions to this Agreement or subject matter contained herein, except as expressly contained or referenced herein. This Agreement constitutes the entire agreement and understanding between Bell and the Client with respect to the subject matter contained herein. All prior or contemporaneous written or oral agreements, representations, warranties, statements or understandings by and between the parties, whether express or implied, with respect to the subject matter contained herein, are superseded by the terms hereof. This Agreement may not be modified by any sales representative, agent or Bell employee, or through course of dealing or otherwise. Any modification to this Agreement shall be in writing and agreed by the parties except as set out herein. If any provision of this Agreement is determined to be invalid or unenforceable, such invalidity or unenforceability will not invalidate or render unenforceable the remainder of this Agreement, but rather the entire Agreement shall be construed as if not containing the particular invalid or unenforceable provision and the rights

Client Initials

and obligations of the parties will be construed and enforced accordingly. Failure of a party to insist upon strict adherence to any term hereunder on any occasion or for any period of time, or the waiver of a breach of this Agreement in any instance or for any period of time, shall not deprive the party of the right thereafter to insist on strict adherence to that term or any other term hereunder or be construed as a waiver of any subsequent breach, whether or not similar, or as an implied term of the Agreement. The parties agree that this Agreement shall be written in the English language. Les parties aux présentes conviennent à ce que ce document soit rédigé dans la langue anglaise.

**19. Sharing of Information.** Client consents to the sharing of account and network information held about Client by each of the Bell Companies with the other Bell Companies to help the Bell Companies better identify Client's communication and entertainment needs, and to provide Client with relevant information, advice and solutions from Bell Companies or third-party marketing partners. If Client does not wish to have its account and network information shared by the Bell Companies, Client shall advise Bell's Agent/Contact listed at the beginning of the main body of the Agreement.

**20. Ending the Agreement and Services.** In addition to the termination rights set out in Section 3 of the main body of the Agreement, the Agreement may be terminated, Services terminated or suspended, and Devices deactivated as follows: Bell may deactivate a Device and/or suspend or terminate Services for that Device at any time without notice if Client does not pay any amount owing when due in respect of Services to that Device, or if Client breaches Section 17 of this Agreement. In addition, Bell may end this Agreement and the Services by giving Client 30 days advance written notice, or at any time on 15 days advance written notice if Client materially breaches this Agreement and does not cure such breach within the 15 day period. In addition to all other Fees and taxes payable, Client must pay the ETF plus applicable taxes if Bell ends this Agreement and/or the Services as a result of Client's non-payment or other breach of the Agreement. Failure of Client to activate a Device within 45 days of purchase is a breach of the Agreement for which the ETF plus applicable taxes are payable, calculated from the end of the 45-day period. Changes to or termination of a particular feature, option or Service requested by Client shall be effective as of the next bill date after the date of the request.

Upon termination of the Services and this Agreement, Client must pay in full all charges that are due including any ETF that may be payable due to termination before the end of a Service Commitment Period, and any outstanding Fees plus applicable taxes owing under this Agreement. Late payment charges will continue to accrue after termination of this Agreement on any unpaid amounts. This obligation survives termination of this Agreement. Bell will provide a refund of the amount of any credits which remain outstanding (after netting out any amounts payable by Client) upon the termination of this Agreement. Client must contact Client's financial institution to cancel any direct debit and credit card authorizations relating to Client's account. Any SIM card will be deactivated and may not be reactivated.

**21. Assignment.** Neither party may assign all or part of this Agreement without the prior written consent of the other party, not to be unreasonably withheld. However, without the other party's consent, a party may assign all or part of this Agreement to an entity as part of a transaction by which all or a substantial part of the assigning party's business is assigned to, or otherwise forms all or part of the business of, such entity (including a present or future affiliate), whether by way of amalgamation, arrangement, transfer, sale or otherwise, provided such entity agrees to be bound by this Agreement and assumes the assigned obligations. The assignor party shall be released from all of its obligations under this Agreement that arise on or after the effective date of such assignment. Notwithstanding the foregoing, an assignment by Client shall be contingent upon Bell determining the Client's assignee to be creditworthy and in compliance with any eligibility criteria for the Services. Bell may also assign any receivable that arises under this Agreement, any right to receive payment related to that receivable and any interest in that receivable or right to receive payment.

**22. Governing Law.** Bell is a federally-regulated undertaking and as such, this Agreement, including all matters relating to its validity, construction, performance and enforcement, shall be governed by applicable federal laws and regulations of Canada, and only those provincial laws and regulations applicable to it in the province in which the address Client provided in this Agreement is located (or the Province of Ontario if the address is outside of Canada). These terms and conditions are subject to amendment, modification or termination if required by such laws or regulations.

**23. Wi-Fi Calling.** Client may receive Wi-Fi Calling Corporate ("Wi-Fi Calling") as part of the Services under this Agreement. The full terms and **conditions** for the use of such Services are set out at [BELL.CA/CAATERMS](http://BELL.CA/CAATERMS) as it may be amended by Bell from time to time.

**THE CORPORATION OF THE CITY OF SAULT STE. MARIE**  
**BY-LAW 2019-125**

**AGREEMENT:** (C3.14) A by-law to authorize the execution of the Agreement between the City and Molson Canada 2005 for the exclusive beer pouring rights for the Essar Centre.

**THE COUNCIL** of The Corporation of the City of Sault Ste. Marie, pursuant to section 9 of the *Municipal Act, 2001*, S.O. 2001, c. 25, **ENACTS** as follows:

**1. EXECUTION OF DOCUMENT**

The Mayor and City Clerk are hereby authorized for and in the name of the Corporation to execute and affix the seal of the Corporation to the Agreement dated June 17, 2019 between the City and Molson Canada 2005, a copy of which is attached as Schedule "A" hereto. This Agreement is for the exclusive beer pouring rights for the Essar Centre for a term of three (3) years, commencing July 1, 2018.

**2. SCHEDULE "A"**

Schedule "A" forms part of this by-law.

**3. BY-LAW 2018-147 REPEALED**

By-law 2018-147 is repealed.

**4. EFFECTIVE DATE**

This by-law takes effect on the day of its final passing.

**PASSED** in open Council this 17<sup>th</sup> day of June, 2019.

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**MAYOR - CHRISTIAN PROVENZANO**

---

**CITY CLERK - MALCOLM WHITE**

## Schedule "A"

### AGREEMENT

### SAULT STE. MARIE, ONTARIO

THIS AGREEMENT made this 17th day of June, 2019.

#### BETWEEN:

**THE CORPORATION OF THE CITY OF SAULT STE. MARIE**

(the "City")

OF THE FIRST PART

- and -

**MOLSON CANADA 2005**

("Molson")

OF THE SECOND PART

**WHEREAS** the City is the owner of the Essar Centre, a sports and entertainment centre located in the City of Sault Ste. Marie;

**AND WHEREAS** the City issued a Request for Proposal setting out the requirements for receiving the "Exclusive Beer Pouring Rights" for the Essar Centre under File #2018CDE-CS-AR-05-P (the "RFP"), a copy of which is appended as Schedule "A" to this Agreement;

**AND WHEREAS** Molson submitted a Proposal dated May 5, 2018 (the "Molson Proposal") in response to the RFP, a copy of which is appended as Schedule "B" to this Agreement;

**AND WHEREAS** Molson is a General Partnership, presently comprised of two partners, Molson Canada GP ULC and MC 2018 LP;

**AND WHEREAS** the City accepted Molson as the successful proponent for the completion of the RFP, to receive Exclusive Beer Pouring Rights for the Essar Centre as set out in the RFP and Molson Proposal for a term of three (3) years, commencing July 1, 2018;

**NOW THEREFORE** in consideration of the rents, covenants and agreements herein contained and hereby assumed, the parties for themselves and their respective successors and assigns do hereby covenant and agree with one another as follows:

**1. TERM**

- (a) This Agreement shall be for a term of three (3) years commencing July 1, 2018 and ending on June 30, 2021 (the "Term").
- (b) The City reserves the right to negotiate with Molson for additional one (1) year periods at its discretion.

**2. VENUE**

Molson shall sponsor the Essar Centre located at 269 Queen Street East, Sault Ste. Marie, Ontario (the "Venue").

**3. DESCRIPTION OF WORK**

- (a) The parties hereto acknowledge and agree that the RFP and the Molson Proposal, together with the within Agreement sets out the rights and obligations of the parties with respect to the "Exclusive Beer Pouring Rights" for the Venue. The parties further acknowledge and agree that all references to the word Agreement herein include *Schedules A*, *B* and *C* appended hereto.
- (b) Molson shall provide all that is necessary and required to perform the work described and set out in the Agreement at its sole risk and expense.
- (c) Molson shall perform all work required under this Agreement in a good, professional and skilled manner. Molson shall provide the highest standards of service and product for the duration of the Term.

**4. EXCLUSIVE BEER POURING RIGHTS**

- (a) The City grants to Molson the following exclusive pouring rights (the "Pouring Rights") for the Venue:
  - i. Molson shall be the Exclusive Beer category sponsor;
  - ii. Molson shall be the "Official Beer Sponsor" of the Venue and shall have the exclusive right during the Term to refer to such designation in advertising, promotions and merchandising; and
  - iii. Molson shall have the maximum pouring rights allowed by applicable law for all licensed areas in the Venue.

- (b) For the purposes of this Agreement "Beer" shall include alcohol, non-alcoholic malt beverages, wine coolers and spirit-based coolers.
- (c) Molson understands and agrees that the Organizers of certain national and international events occurring at the Venue may have a requirement that a competing brand of beer be made available for sale at that event. No allowance will be made to Molson as a result of this requirement.
- (d) Molson further understands and agrees that the exclusivity in beer pouring rights is limited to the actual Venue building, surrounding property and parking lot.
- (e) It should be noted that exclusivity in Beer Pouring Rights shall be limited to Draft Beer Sales, and the majority of Bottled and Canned Beer sales. Sale of product in containers from various local craft breweries shall be permitted at limited locations within the Event Centre. There will be only small amounts of point of sale advertising of these products permitted; primarily availability through posted bar menus. Products sales of craft beer will be maintained at less than 15% of the sales volume of beer in containers.

## **5. POURING RIGHTS FEES**

In consideration of the Pouring Rights, Molson shall pay the City a pouring rights fee as provided in Schedule "C" to this Agreement (the "Pouring Rights Fee") due on the dates provided in Schedule "C". The foregoing payments are each subject to Harmonized Sales Tax (HST) calculated at the applicable rate payable, currently thirteen (13%) percent, at the time each respective payment is due. The total value of this Agreement is One Hundred Eleven (\$111,000.00) Thousand Dollars plus applicable taxes.

In addition, Molson Coors agrees to supply cups for the draft volume purchased by the venue each year estimation at \$4,000 and agrees to purchase one (1) additional one-night Suite Rental per season within the terms of the agreement (\$2,000/year).

## **6. INSURANCE**

- (a) The City shall provide and maintain comprehensive general liability insurance coverage in an amount not less than Five Million (\$5,000,000) Dollars per occurrence during the Term of this Agreement naming Molson as an "Additional Named Insured". Upon execution of this Agreement, the City shall provide Molson with evidence of such insurance coverage in the form of a Certificate of Insurance.
- (b) Molson shall provide and maintain comprehensive general liability insurance coverage in an amount not less than Five Million (\$5,000,000) Dollars per

occurrence during the Term of this Agreement naming the City as an "Additional Named Insured". Upon execution of this Agreement, Molson shall provide the City with evidence of such insurance coverage in the form of a Certificate of Insurance.

(c) Molson shall provide fire, theft, vandalism and liability insurance to cover their equipment or property (if any) while on the Venue. Upon execution of this Agreement, Molson shall provide the city with evidence of such insurance coverage in the form of a Certificate of Insurance. Molson further covenants that it shall not make a claim against the City nor shall it hold the City responsible for loss or damage caused by fire, vandalism, or theft to such equipment or property.

## 7. INDEMNIFICATION

(a) During the Term and thereafter, the City agrees to indemnify Molson, its partners, licensed brands and affiliates and their respective directors, officers, employees and agents, from and against any and all expenses, damages, claims, liabilities and costs whatsoever (including attorney's fees and expenses) suffered or incurred by any of them and arising in connection with:

- i. the breach by the City, its officers, directors, agents or employees of this Agreement; or
- ii. the wilful misconduct or the negligent act or omission of the City, its officers, directors, agents or employees.

(b) During the Term and thereafter, Molson agrees to indemnify and save harmless the City, its officers, directors, agents or employees, from and against all actions, causes of action, interest, claims, demands, costs, damages, expenses or loss whatsoever (including attorney's fees and expenses) which the City may bear, suffer, incur, become liable for, or be put to by reason of, arising out of or in consequence of:

- i. the breach and/or violation of non-performance by Molson, its partners, licensed brands and affiliates and their respective directors, officers, employees and agents of any provision of this Agreement;
- ii. the use of the Venue or in connection with the work covered by this Agreement; or
- iii. any act, neglect or default by Molson or any of its partners, licensed brands and affiliates and their respective directors, officers, employees and agents.

Molson further covenants that the indemnity herein contained shall extend to all claims, losses, costs and damages by reason of or arising out of improper or faulty erection of equipment or property erected or installed in connection with this Agreement by Molson, its servants or agents, whether or not these have

been approved by the City, its servants or agents. The rights to indemnity contained in this paragraph shall survive any termination of this Agreement notwithstanding anything in this Agreement to the contrary.

- (c) Molson shall obtain all necessary approvals and authorizations and comply with all laws, by-laws, rules and regulations of any governing body with respect to the work required to be performed by Molson and any other matters arising directly and indirectly from this Agreement. Molson shall save harmless and fully indemnify the City from and against all losses, costs, damages and expenses, of every kind or nature (including attorney's fees and expenses) which the City may suffer, incur, become liable for, or be put to by reason of, arising out of or in consequence of noncompliance by Molson with such laws, by-laws, rules and regulations and failure by Molson to obtain such approvals and authorizations.

## **8. TERMINATION**

- (a) This Agreement may be terminated by either party immediately upon written notice to the other party:
- i. in the event of the winding up, dissolution, liquidation, bankruptcy or insolvency of the other party;
  - ii. if any execution or other enforcement process becomes enforceable against any material property of the other party; or
  - iii. if the other party breaches a material term or condition of this Agreement and fails to remedy such breach within ten (10) days from the receipt of notice thereof.
- (b) Upon expiry or termination of this Agreement, the City shall exercise the option to require Molson, at Molson's expense, to remove from the Venue all equipment and property (if any) within fourteen (14) days. In the event that the City exercises such option to require Molson to remove the equipment and property, and in the further event that Molson fails to remove the equipment and property during the fourteen (14) day period, the parties hereto acknowledge and agree that such equipment and property shall be deemed as abandoned and shall vest with the City without obligation to Molson.

## **9. APPROVALS**

Nothing herein shall be construed as granting the City any right to use Molson's name, logos, trademarks or other property in any way without the prior approval of Molson. All advertising, promotions or merchandising programs relating to Molson's sponsorship of the Venue may be subject to the prior approval of regulatory authorities.

## 10. TAXES

Any Canadian federal or provincial Harmonized Sales Tax, Quebec or similar value-added tax, and any sales or use tax, imposed on transactions between Molson and the City contemplated under this Agreement shall be the subject of an additional charge and shall be shown separately on any invoice or similar document together with the required tax registration numbers and any other information required by law. Neither party will be held liable for penalty or interest charges associated with any federal or provincial tax assessments levied against the other party. For the purpose of charging or collecting HST, the City represents and warrants that its registration number is 122023120. Molson represents and warrants that its HST registration number is 856144035 RT0001.

## 11. NOTICES AND ADDRESSES

All notices required to be given under this Agreement shall be given by personal delivery, facsimile transmission, prepaid regular mail, or prepaid courier, addressed to the proper party to the following addresses, or at such other address as may be subsequently given pursuant to this Section. Such service shall be deemed given:

- i. the same day as delivery when delivered by personal delivery or by facsimile transmission;
- ii. five (5) days after deposited in the Canada Post mail, postage prepaid; or
- iii. one (1) day after depositing, charges prepaid, with an overnight courier:

In the case of notice to Molson:

Molson Canada 2005  
Attention: Legal Department  
33 Carlingview Drive  
Toronto, Ontario M9W 5E4  
Tel: 705-797-1406  
Fax: 416-679-0630

In the case of notice to the City:

Mr. Brent Lamming  
Director, Community Services  
The Corporation of the City of Sault Ste. Marie  
Civic Centre  
99 Foster Drive  
Sault Ste. Marie, Ontario P6A 5X6  
Tel: 705-759-5314  
Fax: 705-759-6605

## **12. INTERFERENCE, WASTE OR NUISANCE**

Molson shall not do or cause to be done, any action which would damage, waste disfigure or injure any property owned by the City. Molson shall further conduct itself and perform the work set out in this Agreement in a manner which does not interfere with the operation of the Venue or otherwise cause a nuisance. Any costs incurred by the City to repair the Venue or property owned by the City resulting from such waste and nuisance as set out herein shall be payable by Molson to the City immediately upon demand by the City.

## **13. PROPRIETARY RIGHTS**

The parties hereto acknowledge and agree that this Agreement in now way confers any rights, benefits or title in the Venue or property owned by the City to Molson and that the Venue and any and all property and part thereof owned by the City is the property, title and right of the City.

## **14. GENERAL**

- (a) Molson acknowledges that the City is bound by the provisions of the *Municipal Freedom of Information and Protection of Privacy Act*, which may require the release of this Agreement or the terms thereof upon request. The Act gives persons a right of access to information held by the City. The right of access is subject to the exemptions contained in the Act.
- (b) The parties shall not assign or transfer this Agreement without the prior written consent of the other party.
- (c) The parties hereby acknowledge and agree that any future amendments to this Agreement must be made in writing and signed by both parties.
- (d) This Agreement shall enure to the benefit of and be binding upon the parties hereto and to their respective successors and permitted assigns.
- (e) In the event that any provision of this Agreement or the schedules attached thereto is found to be illegal or be unenforceable under the law now or hereafter in effect, such illegality or unenforceability shall not affect the validity of the remaining provisions of this Agreement.
- (f) This Agreement, including schedules, contains the entire understanding of the parties with respect to the subject matter contained herein and supersedes all previous agreements or understandings between the parties with respect to the subject matter herein, whether written or oral, expressed or implied.

- (g) Each party hereto is an independent contractor and has no authority or right to incur obligations of any kind in the name of or for the account of the other party. Neither party is or shall be deemed to be an associate, partner, principal or agent of the other party.
- (h) The City covenants that he has good right, full power, and absolute authority to grant this Agreement to Molson and this Agreement shall be binding upon and shall ensure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, assigns and subsequent purchasers. Molson covenants that he has good right, full power, and absolute authority to grant this Agreement to the City and this Agreement shall be binding upon and shall ensure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, assigns and subsequent purchasers.
- (i) This Agreement shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein. The Courts in the Province of Ontario shall have the exclusive jurisdiction to adjudicate any matter which may arise in connection with this Agreement, and the parties hereby accept, submit and attorn to the non-exclusive jurisdiction of such courts and all courts competent to hear appeals therefrom.

**REST OF PAGE INTENTIONALLY LEFT BLANK**

## 15. SCHEDULES

It is agreed by the parties that the attached Schedule "A" - the RFP, Schedule "B" - the Molson Proposal and Schedule "C" - the Pouring Rights Fee, shall form part of this Agreement.

**IN WITNESS WHEREOF** the parties hereto have signed this Agreement this 17<sup>th</sup> day of June, 2019.

**THE CORPORATION OF THE CITY OF  
SAULT STE. MARIE**

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Mayor – Christian Provenzano

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City Clerk – Malcolm White

**MOLSON CANADA 2005**

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### Attachments:

**Schedule "A"** – The Corporation of the City of Sault Ste. Marie, Request for Proposal - "Beer Pouring Rights – Essar Centre".

**Schedule "B"** – The Proposal submitted by Molson Coors Canada dated May 5, 2018.

**Schedule "C"** – Pouring Rights Fee.

**Schedule "A"**



**THE CORPORATION OF THE CITY OF SAULT STE. MARIE**  
**REQUEST FOR PROPOSAL**  
**BEER POURING RIGHTS – SAULT STE. MARIE EVENT CENTRE**

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**May 11, 2018  
File #2018CDE-CS-AR-05-P**



## THE CORPORATION OF THE CITY OF SAULT STE. MARIE

### REQUEST FOR PROPOSAL

#### BEER POURING RIGHTS – SAULT STE. MARIE EVENT CENTRE

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The Corporation of the City of Sault Ste. Marie is accepting Proposals from interested parties pertaining to Sponsorship and payments associated with the Pouring Rights for Draft, and Canned & Bottled Beer in our 5,000 seat spectator arena and multi-use venue (presently the "Essar Centre") located at 269 Queen Street East. Exclusivity to be granted subject to the terms and conditions of the RFP, and compliance with all provisions of the Law.

Your Proposal must contain recommendations to satisfy the requirements described in the "Specifications & Terms of Reference" section supplied with this request.

During the period for Proposal preparation, any questions concerning the requirements or intent of the statements contained herein should be addressed (*by email only*) to Mr. Rob Santa Maria, Manager – Essar Centre, telephone 705-759-5327, email [r.santamaria@cityssm.on.ca](mailto:r.santamaria@cityssm.on.ca).

If you are in a position to submit a Proposal for this requirement, five (5) copies of the completed Proposal documents (one marked "original" and others as "copy") must be returned, in a sealed envelope or package, to the Manager of Purchasing, Civic Centre, Sault Ste. Marie, Ontario, prior to the closing date. You are encouraged to make a full copy of the RFP and your Proposal for your file.

Proposals are due and will be accepted no later than 4:00 o'clock p.m., local time (Eastern), Friday, June 1, 2018.

Yours sincerely,

Tim Gowans  
Manager of Purchasing



**THE CORPORATION OF THE CITY OF SAULT STE. MARIE**  
**REQUEST FOR PROPOSAL**  
**BEER POURING RIGHTS – SAULT STE. MARIE EVENT CENTRE**

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Sealed Proposals plainly marked as to contents, will be received by the Manager of Purchasing until:

**4:00 O'CLOCK P.M., LOCAL TIME (EASTERN), FRIDAY, JUNE 1, 2018**

for:

**BEER POURING RIGHTS – SAULT STE. MARIE EVENT CENTRE**

Instructions to Bidders, Form of Proposal, and specifications may be obtained from the office of the Manager of Purchasing, Civic Centre, 99 Foster Drive, Sault Ste. Marie, Ontario.

The highest or any Proposal will not necessarily be accepted.

Tim Gowans  
Manager of Purchasing

## INDEX

- 1) INFORMATION TO PROPONENTS
- 2) FORM OF PROPOSAL & PRICING
- 3) GENERAL CONDITIONS &  
INSTRUCTIONS TO BIDDERS
- 4) SPECIFICATIONS &  
TERMS OF REFERENCE
- 5) PAST EVENTS HELD

## **SECTION 1**

### **INFORMATION TO PROPONENTS**

## INFORMATION TO PROPONENTS

### BEER POURING RIGHTS – SAULT STE. MARIE EVENT CENTRE

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#### **1. Delivery and Opening of Proposals**

All proposals must be sealed in an envelope or package properly marked as to contents (“Proposal for Beer Pouring Rights - Sault Ste. Marie Event Centre File # 2018CDE-CS-AR-05-P”) and delivered to:

**The City of Sault Ste. Marie  
Attn: Manager of Purchasing  
99 Foster Drive – Level 2  
Sault Ste. Marie, Ontario, P6A 5X6**

By the following date and time:

**Date: Friday, June 1, 2018  
Time: 4:00 p.m., local (Eastern) time**

The Corporation reserves the right to reject any or all Proposals and the highest or any Proposal will not necessarily be accepted. **Late Proposals will not be accepted and may be returned unopened at the Proponent's expense.**

#### **2. Errors, Omissions, Clarifications**

All requests for technical information or to clarify the Terms of Reference shall be addressed to Mr. Rob Santa Maria, Manager of the Sault Ste. Marie Event Centre, telephone 705-759-5327 or by email to [r.santamaria@cityssm.on.ca](mailto:r.santamaria@cityssm.on.ca).

All questions and requests for clarification relating to the Request for Proposal process and/or identification of any errors or omissions in the Request for Proposal documents shall be directed to Mr. Tim Gowans, Manager of Purchasing, at (705) 759-5298, or by email (preferred) to [t.gowans@cityssm.on.ca](mailto:t.gowans@cityssm.on.ca). The Manager of Purchasing may, at his sole discretion, issue a written addendum. Neither the named City Contact nor the Manager of Purchasing will make oral interpretations or clarifications, as to the meaning of the Proposal documents.

#### **3. Informal Proposals**

Proposals shall conform to the terms and conditions set out herein. Proposals which are incomplete, conditional, or obscure, or which contain additions not called for, erasures, alterations, or irregularities of any kind, may be rejected as informal. The Form of Proposal must be legibly signed in ink by an authorized officer of the firm.

*Information to Proponents (cont'd)*  
**Beer Pouring Rights – Sault Ste. Marie Event Centre**

**4. Ability and Experience of Proponents**

No Proposal will be considered from any Proponent unless they are able to provide evidence that they possess satisfactory experience in beer pouring rights, or similar, sponsorships. In order to aid the City in confirming this experience, the Proponent shall within 48 hours after being requested in writing by the Manager of Purchasing furnish evidence satisfactory to the City of the Proponent's experience and familiarity with performance of the requirements of this Request for Proposal.

Proponents not supplying the requested information within the stipulated time period may be disqualified.

**5. Conditions and Requirements**

Proponents are required to submit their Proposals upon the express condition that they shall satisfy themselves as to the actual conditions and requirements of the work.

Should any points of dispute arise between the successful Proponent and the Corporation as to the intent of any portion of this Proposal, the Manager of Purchasing shall be the sole arbiter in the settlement.

**6. Proposal Left Open**

The Proponent shall keep their Proposal open for acceptance for ninety (90) days after the closing date.

**7. Agreement**

The successful Proponent agrees that the City will prepare a Contract, at its own expense, outlining the agreed-upon terms for the Beer Pouring Rights Agreement. The Contract along with the RFP Document as issued, and the Proposal submitted in response to the RFP, shall constitute the Agreement.

**8. Duration of Contract**

The contract to be awarded as a result of this Request for Proposal shall commence July 1, 2018 (or as soon thereafter as approved by City Council) and shall continue until June 30, 2021, or as agreed. (See General Conditions).

*Information to Proponents (cont'd)*  
**Beer Pouring Rights – Sault Ste. Marie Event Centre**

**9. Schedule**

Release of RFP	May 11, 2018
Submission of Proposal	June 1, 2018
Proposal Evaluation	June 2018
Award of Contract	June 2018

The City reserves the right to alter the above dates as deemed necessary at its sole discretion.

**10 Proposal Copies**

Five (5) complete sets of the Proposal Document are required. One (1) Set to be marked as the “Original” in hard copy (paper) format; and four (4) sets shall be labelled as “Copy” – complete in every way – three (3) in hard copy (paper) format and one (1) in electronic format (USB Key, CD/DVD or similar – email copy not acceptable). The Form of Proposal included with the Proposal documents marked “Original” must bear *original signatures in ink* to qualify. Proponents are asked to designate one contact person to whom any request for additional information deemed to be relevant during evaluation of the Proposal may be communicated – email address must be included in the Proposal submission.

**11. Right To Accept or Reject Proposals**

The City reserves the right to reject any or all Proposals or to accept any Proposal should it be deemed in the interests of the City to do so and if only one Proposal is received, the City reserves the right to reject it.

Notwithstanding the foregoing, in the event that a preferred Proposal does not exactly and entirely meet the City's requirements, the City reserves the right to enter into negotiations with the selected Proponent to arrive at a mutually satisfactory arrangement with respect to any modifications to the Proposal.

**12. Indemnity**

The successful Proponent will indemnify and save harmless the City against and from all actions, causes of action, interest, claims, demands, costs, damages, expenses or loss which the City may bear, suffer, incur, become liable for, or be put to arising out of or under this Contract.

*Information to Proponents (cont'd)*  
**Beer Pouring Rights – Sault Ste. Marie Event Centre**

**13. Incurred Costs**

The Corporation will not be liable nor reimburse any Proponent for costs incurred in connection with this RFP including without limitation, preparation and delivery of its Proposal, preparation and delivery of any further documentation requested by the City, preparation for and attendance at interviews, if required, or any other services that may be required as part of the evaluation process.

**Whenever possible, at the sole determination of the City, additional information and/or clarifications will be obtained by telephone or other electronic means.**

**14. Alterations to Documents**

No electronic reproduction or alteration of the original document will be permitted under any circumstance. The Proponent shall not change the wording of the general conditions or detailed specifications unless requested by the Manager of Purchasing for the purpose of clarification.

**15. Confidentiality & Post-Award Comment**

All Proposals shall be submitted by the Proponents on the understanding that the Proposals shall become the property of the Corporation.

No Proponent shall have the right to review or receive any information with respect to a Proposal, documentation, or information submitted by any other Proponent. The content of the Proposal, and all documentation, and information shall be held in confidence by the City, subject only to the provision of freedom of information and privacy legislation, including without limitation, the *Municipal Freedom of Information and Protection of Privacy Act*. Post-Award Comment by the City regarding this Request for Proposal will be limited to written notification to all Proponents of the successful Proponent's name and address **only**. In submitting a Proposal, Proponents acknowledge and agree to this provision.

**16. Municipal Freedom Of Information & Protection Of Privacy Act**

The Corporation of the City of Sault Ste. Marie is governed by the provisions of the *Municipal Freedom of Information and Protection of Privacy Act*. The Act gives persons a right of access to information held by the municipality. The right of access is subject to the exemptions contained in the Act.

## **SECTION 2**

### **FORM OF PROPOSAL & PRICING**

**FORM OF PROPOSAL**  
**BEER POURING RIGHTS – SAULT STE. MARIE EVENT CENTRE**

Mr. Tim Gowans  
Manager of Purchasing  
Civic Centre  
Sault Ste. Marie, ON

I/We the undersigned, hereby submit the attached Proposal to satisfy the requirements as laid out by the Corporation of the City of Sault Ste. Marie and hereby propose and agree to pay the below listed Sponsorship Allowances associated with receiving the Exclusive Beer Pouring Rights at the Sault Ste. Marie Event Centre as specified under the terms and conditions as stated which form part of this Proposal for the period commencing July 1, 2018 and ending June 30, 2021.

**Total Exclusive Pouring Rights Allowance For      \$ \_\_\_\_\_**  
**Term of the Agreement**

Details regarding the Total Exclusive Pouring Rights Allowance are included in the schedules submitted with this response to the Request for Proposal. The attached schedules should also address any nonmonetary incentives offered to the City associated with receiving the Exclusive Beer Pouring Rights at the Sault Ste. Marie Event Centre. Proponents understand and agree that evaluation of both the monetary and nonmonetary incentives offered may be considered as part of the Evaluation Process for this Request for Proposal.

I/We agree and understand that all allowances and incentives offered by Proponents associated with receiving exclusivity in draft, and bottled & canned beer pouring rights at the Event Centre will be limited to those which the laws allow, and subject to the terms and conditions of the RFP.

I/We agree that this Proposal shall be irrevocable from the time and date that the Proposals are opened until the time the contract is awarded.

I/We declare that this Proposal is made without any connection, knowledge, comparison of figures or arrangements with any other person or persons submitting a Proposal for the same purpose and is in all respects fair and without collusion or fraud.

It is hereby agreed and understood that upon acceptance and execution of this Proposal by the City of Sault Ste. Marie, a document will be created by the City detailing the terms of agreement and creating a valid and binding contract between the successful Proponent and the City upon signing.

*Form of Proposal (cont'd)*

**Beer Pouring Rights – Sault Ste. Marie Event Centre**

It is further understood and agreed that the highest or any Proposal will not necessarily be accepted, and that the Corporation reserves the right in its absolute discretion to reject any or all Proposals or accept that Proposal deemed most acceptable to the Corporation. The Corporation further reserves the right to negotiate further with the successful Proponent to finalize terms and conditions of the proposed agreement.

It is further understood and agreed that this Form of Proposal must be completed, legibly signed in ink, and returned as part of the Proposal submission to qualify.

---

NAME OF COMPANY

(SEAL)

---

ADDRESS

---

CITY

---

POSTAL CODE

---

SIGNING OFFICER SIGNATURE

---

WITNESS' SIGNATURE (must be present if  
Corporate Seal is not affixed to Form of Proposal)

---

SIGNING OFFICER (PRINT NAME)

---

TELEPHONE NUMBER

---

DATE

---

FAX NUMBER

## **SECTION 3**

# **GENERAL CONDITIONS & INSTRUCTIONS TO BIDDERS**

## **GENERAL CONDITIONS & INSTRUCTIONS TO BIDDERS**

### **BEER POURING RIGHTS – SAULT STE. MARIE EVENT CENTRE**

#### **PLEASE READ CAREFULLY:**

These general conditions and instructions to bidders form a part of the Proposal to which they are attached and any Proposal which does not adhere strictly to them may be disqualified. Submission of a Proposal indicates that the Proponent understands, accepts and agrees to comply with all conditions, instructions, and specifications which form part of this Request for Proposal.

The intent of this Request for Proposal is to solicit responses from Proponents for exclusivity in draft, and bottled & canned beer pouring rights at the Sault Ste. Marie Event Centre, as laws will allow; and subject to the terms and conditions of the RFP (see notes below), and in return, generate the maximum amount of revenue for the Event Centre, through sponsorship allowances and incentives. The expectations are that the successful Proponent will provide the highest standards of service and product for the duration of the term of the Agreement.

Proponents shall attach a schedule to their Proposal detailing the products offered under the response, and which are covered by the sponsorship allowances and incentives. These products shall be widely recognized National brands available through local distribution channels, and provide a suitable variety of tastes and styles to satisfy the guests of the Sault Ste. Marie Event Centre.

The City seeks to enter into an Agreement with the successful Proponent for exclusive Beer Pouring Rights for a period commencing July 1, 2018 (or as soon thereafter as approved by City Council) and ending on June 30, 2021. An alternative time period will be considered at the City's discretion. The City reserves the right to negotiate with the successful Proponent for up to two (2) additional one (1) year periods at its sole discretion.

The City shall prepare the documents supporting this Agreement; and the successful Proponent will be required to execute this Agreement within fourteen (14) working days of receipt of written notice that the documents are ready for signature.

The City reserves the right to cancel the Agreement if the goods or services are unsatisfactory, or if the delivery requirements are not met. The City may also cancel the Agreement without cause by means of a 30-day advance written notice.

**The successful Proponent understands and agrees that the Organizers of certain national and international events occurring at the Sault Ste. Marie Event Centre may have a requirement that a competing brand of beer be made available for sale at that event. No financial allowance will be made to the successful Proponent as a result of this requirement.**

***General Conditions and Instructions to Bidders (cont'd)***  
***Beer Pouring Rights – Sault Ste. Marie Event Centre***

**The successful Proponent further understands and agrees that exclusivity in beer pouring rights is limited to the Sault Ste. Marie Event Centre building; surrounding property and parking lot.**

Proponents understand that quantities included for reference in this Request for Proposal are not guaranteed. They represent actual 2016, 2017, and 2018 sales to date.

**The City will provide certain Hospitality Opportunities to the successful Proponent for the duration of the Agreement as outlined in Section 4 of this Request for Proposal.**

Proposals must be filled out exactly as to form; any riders, alternative Proposals, etc., must be made on separate sheets and attached to the Proposal.

Sealed Proposals plainly marked as to contents will be received by the Manager of Purchasing, Civic Centre, 99 Foster Drive, Sault Ste. Marie, Ontario, until 4:00 o'clock p.m., local time (Eastern), Friday June 1, 2018.

Any deviation from the Specifications shown herein shall be explained fully by the Proponent by letter, with reference to the item not meeting specifications.

Proponents that require more information or clarification of the Request for Proposal may contact the City Contact; **Mr. Rob Santa Maria, Manager of the Sault Ste. Marie Event Centre, telephone 705-759-5327, or by email to [r.santamaria@cityssm.on.ca](mailto:r.santamaria@cityssm.on.ca); or Mr. Tim Gowans, Manager of Purchasing, at (705) 759-5298, or by email (preferred) to [t.gowans@cityssm.on.ca](mailto:t.gowans@cityssm.on.ca).**

**The highest or any Proposal will not necessarily be accepted, and the right to reject any or all Proposals, or to accept that Proposal judged as most satisfactory is expressly reserved by the City Corporation.**

The Corporation of the City of Sault Ste. Marie is governed by the provisions of the *Municipal Freedom of Information and Protection of Privacy Act*. The Act gives persons a right of access of information held by the municipality. This right of access is subject to the exemptions contained in the Act.

No electronic reproduction or alterations of the original document will be permitted under any circumstances.

# **SECTION 4**

## **SPECIFICATIONS & TERMS OF REFERENCE**

## SPECIFICATIONS & TERMS OF REFERENCE

### BEER POURING RIGHTS – SAULT STE. MARIE EVENT CENTRE

The Sault Ste. Marie Event Centre is wholly owned and operated by the Corporation of the City of Sault Ste. Marie. It is located in the heart of Sault Ste. Marie's downtown core and is Northern Ontario's Premier Centre for Sports and Entertainment. The Event Centre will be rebranded and renamed as a result of the end of the existing Naming Rights Contract (was the Essar Centre) in 2018.

The Event Centre hosts many events annually with attendance of approximately 250,000. The Event Centre has a seating capacity of up to 5000 for on-ice events and up to 6500 for concerts. Seating Capacity includes bowl seating, 13 private luxury suites, and 1 large suite rented on a per event basis.

Events hosted include:

- OHL Hockey Games – Soo Greyhounds
- Concerts
- Family Shows
- Ice Shows
- Athletic Events
- Conventions
- Trade Shows

Food and Beverage Services are provided in house. The facility has five (5) full service concessions, six (6) beer stations on the concourse that are portable, and food and beverage service at the corporate suite level. Each beer station is equipped with two (2) taps and a beverage cooler. The successful Proponent may elect, at their own expense, upon approval of the Manager of the Event Centre, to provide additional equipment for use in dispensing and cold storage of beer. Details of such proposed equipment may be attached to the Proposal for consideration by the Evaluation Committee.

The facility holds a liquor sales license with a catering endorsement. There are a number of break-out rooms throughout the facility that are fully licensed allowing maximum flexibility for bar service.

The City requires that Proponents attach a schedule to their Proposal detailing the exclusive pouring rights allowance and incentive program proposed for the length of the Agreement. Details shall include the nature of the allowances and incentives; and how each shall be calculated and applied, as well as the frequency of payment (the city expects a minimum of yearly payments).

**It should be noted that exclusivity in Beer Pouring Rights shall be limited to Draft Beer Sales, and the majority of Bottled and Canned Beer sales.**

**Specifications & Terms of Reference (cont'd)**  
**Beer Pouring Rights – Sault Ste. Marie Event Centre**

Sale of product in containers from various local craft breweries shall be permitted at limited locations within the Event Centre. There will be only small amounts of point of sale advertising of these products permitted; primarily availability through posted bar menus. Products sales of craft beer will be maintained at less than 15% of the sales volume of beer in containers. In submitting a Proposal, Proponents agree to this provision.

**RECENT BEER SALES**

Alcohol Sales				
		2016	2017	2018
		Jan-Dec	Jan-Dec	Jan-April
<b>Draft</b>	<b>14 oz</b>	<b>6671</b>	<b>6034</b>	<b>4565</b>
	<b>20 oz</b>	<b>19466</b>	<b>19505</b>	<b>18700</b>
	<b>60 oz</b>	<b>1215</b>	<b>1217</b>	<b>1061</b>
<b>Bottles</b>	<b>12 oz</b>	<b>1186</b>	<b>1192</b>	<b>562</b>
	<b>Small Cans</b>	<b>1938</b>	<b>2870</b>	<b>2524</b>
	<b>Tall Boys</b>	<b>9247</b>	<b>10232</b>	<b>9902</b>
	<b>Apple Cider</b>	<b>1111</b>	<b>1014</b>	<b>1268</b>

**SIGNAGE & ADVERTISING**

The successful Proponent shall provide illuminated signs for display at the service areas as well as other promotional items, subject to the approval of the Manager of the Event Centre. Details of such proposed signage and promotional items may be attached to the Proposal for consideration by the Evaluation Committee.

Advertising permitted under this Agreement is restricted to Point of Sale Locations. Additional advertising opportunities may exist in the Event Centre but are not covered under the Scope of this Agreement.

**EQUIPMENT**

The successful Proponent is required to provide fire, theft, vandalism, and liability insurance to cover their equipment (if any) while on City property, and not to make a claim on the City of Sault Ste. Marie with respect to loss or damage caused by fire, vandalism, or theft to such equipment or property.

**Specifications & Terms of Reference (cont'd)**  
**Beer Pouring Rights – Sault Ste. Marie Event Centre**

The above criteria are not necessarily in order of importance and do not represent a comprehensive list. Other criteria may be considered during evaluation of the Proposals submitted.

Any value added support that you are willing to provide should be detailed and may be evaluated.

As well, the Proponent's ability to respond in an orderly, concise and easily understood format to the Request for Proposal may be evaluated. **Proposals should be securely bound, pages numbered and a Table of Contents provided.**

Interviews may be requested by the City in order to clarify information contained in a Proposal submitted, and to analyze the response of the Proponent. Whenever possible, these interviews will be conducted by conference call or similar means.

**EVALUATION PROCESS**

An Evaluation team comprised of staff members from the City will evaluate all Proposals based on the information provided by the Proponents at the time of submission, as well as any information provided during any subsequent meetings (if any) with the Proponent.

All Proposals are to be submitted on the understanding that the selection of a Proposal for discussion by the Corporation shall not thereby result in the formation of a contract nor shall it create any obligation on the Corporation to enter into such discussions. The Corporation believes all the information contained in the Proposal to be correct but shall not accept any liability with respect to it.

All Proposals shall be submitted by the Proponents on the understanding that the Proposals shall become the property of the Corporation.

Proponents whose Proposals have been selected for further evaluation may be required to participate in a meeting with the Evaluation team, where they will be asked to clarify information provided or otherwise demonstrate their understanding of the requirements of this Request for Proposal. If interviewed, Proponents are encouraged to present any additional information, which may be relevant in the evaluation of their Proposal. Please note that the City will attempt to meet all dates noted in this Request for Proposal, but reserve the right to modify any or all dates at its sole discretion.

**Specifications & Terms of Reference (cont'd)**  
**Beer Pouring Rights – Sault Ste. Marie Event Centre**

On completion of the evaluation process, a Recommendation Report will be prepared and forwarded to City Council for their consideration and endorsement. Council will decide which Proponent (if any) will be awarded Exclusivity in Pouring Rights following the receipt of staff's report and recommendation.

**CITY-OFFERED HOSPITALITY OPPORTUNITIES**

**The City will offer the following incentives to the successful Proponent for the term of the Agreement; upon execution of the Agreement for Pouring Rights:**

Two (2) Tickets for each Soo Greyhound Game (including Exhibition, Pre-Season and Play-Off Games) for the term of the Agreement

One (1) Rental of the Large Corporate Suite per Season for a Soo Greyhound Game (includes up to 40 tickets) on a mutually agreed upon date starting with the 2018-2019 Season. Cost of food and beverages not included.

Use of the public areas of the Event Centre for One (1) Event Day per Year on a mutually agreed date and time; free of rent; provided; however, that the successful Proponent shall pay:

- All amusement and other taxes assessed in connection with such use of the Arena facilities;
- For all food, beverages, and other goods or services (including, without limitation, any audio-visual requirements) provided in connection with such use of the Arena facilities; and
- For all of the City's additional direct costs incurred in connection with such use, including without limitation staffing costs and the cost of utilities.

In addition to the two (2) Soo Greyhound tickets listed above as included; the successful Proponent will be eligible to purchase two (2) tickets for every other ticketed event at the Event Centre in advance of general sales.

## **SECTION 5**

### **PAST EVENTS HELD**

## PAST EVENTS HELD

### BEER POURING RIGHTS – SAULT STE. MARIE EVENT CENTRE

The following information is provided for reference by Proponents and may be of use in preparing their responses to this Request for Proposal.

#### 2016 EVENT CENTRE EVENTS

- 
- Skate Canada Northern Ontario February 7, 2016
  - Bon Soo Passport to Unity February 14, 2016
  - The Next Step Wild Rhythm Tour February 21, 2016
  - The Next Step VIP Experience February 21, 2016
  - Johnny Reid March 9, 2016
  - NHL Alumni Hockey Tour March 17, 2016
  - George Thorogood & the Destroyers May 2, 2016
  - Forest of Reading Festival of Trees May 27, 2016
  - Gord Bamford & Joe Nichols May 28, 2016
  - Super Circus Spectacular June 3, 2016
  - Queen Street Cruise June 13, 2016
  - Theresa Caputo Live! The Experience June 15, 2016
  - St. Mary's College Graduation Ceremony June 29, 2016
  - Watch Tower Bible & Tract Society of Canada Convention July 7-10, 2016
  - Centre for Social Justice "Talk On The Walk" August 18, 2016
  - Dolly Parton - Pure and Simple Tour September 10, 2016
  - The Price is Right Live! September 28, 2016
  - NHL Preseason: Buffalo Sabres vs. Carolina Hurricanes October 5, 2016
  - World U-17 Hockey Challenge October 27 November 5, 2016
  - Boost National Pinty's Grand Slam of Curling December 6 - 11, 2016

EVENT TYPE	TOTAL DAYS
Concert	7
Sporting Event	17
Greyhound Home Games	39
Tournaments	15
Conventions/Special Events	12
Total Event Days	90

**Past Events Held (cont'd)**  
**Beer Pouring Rights – Sault Ste. Marie Event Centre**

**2017 EVENT CENTRE EVENTS**

- 
- Brad Paisley: Life Amplified World Tour February 1, 2017
  - NHL Alumni Hockey Tour February 2, 2017
  - Festival of Stars: Northern Ontario STARSkate February 3-5, 2017
  - Wacky Wings Family Day Skate February 20, 2017
  - #youthesoo Youth Empowerment Movement May 11, 2017
  - Forest of Reading Festival of Trees May 19, 2017
  - TRAXXAS Monster Truck Destruction Tour May 20, 2017
  - Super Circus Spectacular May 26, 2017
  - Queen Street Cruise June 16-17, 2017
  - St. Mary's College Graduation Ceremony June 28, 2017
  - Rotary Colour Run July 15, 2017
  - Watch Tower Bible & Tract Society of Canada Convention July 21-23, 2017
  - Dokken with Firehouse September 30, 2017
  - Boost National Pinty's Grand Slam of Curling November 14-19, 2017
  - Tenaris Christmas Party December 2, 2017

EVENT TYPE	TOTAL DAYS
Concert	2
Sporting Event	17
Greyhound Home Games	41
Tournaments	15
Conventions/Special Events	12
Total Event Days	87

# Sault Ste. Marie Marketing plan



33 Carlingview Drive, Toronto Ontario

Sales Manager Clayton Bertrand

[clayton.bertrand@molsoncoors.com](mailto:clayton.bertrand@molsoncoors.com)

705-665-0120

Sales Rep Dustin Grondin

[dustin.Grondin@molsoncoors.com](mailto:dustin.Grondin@molsoncoors.com)

705-971-1584



# Molson Coors RFP Submission

- **Term**
  - Molson agrees to a 3 year term and a possible 2 year extension if agreed upon by both parties
- **Sponsorship Fee**
  - Molson to provide the city of Sault Ste Marie \$37,000 per year of the agreement in Sponsorship
  - Fee payable on Sept 1<sup>st</sup> during each year of the agreement
- **Signage Fees**
  - Team Sponsorship Agreement with Soo Greyhounds
- **Suite Rentals**
  - Molson Agrees to purchase 1 additional Suite per season within the term of the agreement (\$2000/year)
- **Additional Support**
  - Beer Cups
    - We will supply cups for the draft volume purchased by the venue each year (Est \$4000)

## **Additional Investment**

Molson also agrees to create and execute the following local on-premise activity, promoting the Soo Greyhound Hockey Club and Molson brands:

- **Molson Canadian Hockey House**
  - Molson with 2 suite nights per season will run promotions within the community to create exposure/excitement for the venue and team within Sault Ste Marie.
  - To be executed in 10 venues throughout the city including; Watertower, Sportcenter, Roadhouse, etc.....
  - This will result in an additional yearly investment of \$4000
- **Discover Your Community**
  - Brand awareness at 8 Local LCBO's, driving traffic and awareness for the upcoming season. 8 Displays and over 120K Impressions in a three week period. This will help to promote traffic and volume within the venue (dependent upon program approval by the LCBO).
  - Value for this program \$4000

Molson commits to spending \$8,000 per season in programming to promote the Greyhound's and

Molson in the local community. Perceived value in excess of over \$15,000

*\*\*exact programs may change over the 5 years but yearly investment will remain at \$8,000\*\**

## Summary of Molson RFP Submission

Item	Associated Cost	Comments
<b>1 Sponsorship Fee</b>	\$37,000	Annual sponsorship commitment Paid on Sept 1 <sup>st</sup> – each year on contract
<b>2 In Arena Opportunities</b>	\$4,000	Current Signage deal with the team in venue
<b>3 On-Premise Programming</b>	\$4,000	Discover you Community , On premise programming
<b>4 Suite Rental</b>	\$4,000	With pouring right we receive 1 Molson to purchase additional plus F&B
<b>5. Cups</b>	\$4,000	Estimated cups for the season to relieve cost within the venue.
<b>6. Signage</b>	\$3,000	6 bar neon signs Currently in place
<b>TOTAL INVESTMENT</b>	<b>\$55,000</b>	Pouring Rights = \$37,000 with additional support per year of \$18,000

► *Total 3 year investment of \$165,000*

# Molson Canadian Hockey House Promo



- Winner receives 4 tickets (you and 3 friends) for a hosted night in the Suite.
- Larger volume accounts only 10 total promos. 2 Dates for the promo's
- Winner will attend with 2 hosts in the suite with Food and Beverage as well as some great Swag.
- T shirts to be given away on premise as frequency prizes.
- POSTER, 3X6 Banner and tent cards

- Accounts, Sportcenter, Watertower Inn, George Wellington, Canadian Hotel, Canadian Lounge, Roadhouse, Reggie's, Boston Pizza, Burger Don, Fratelli's Pizza.

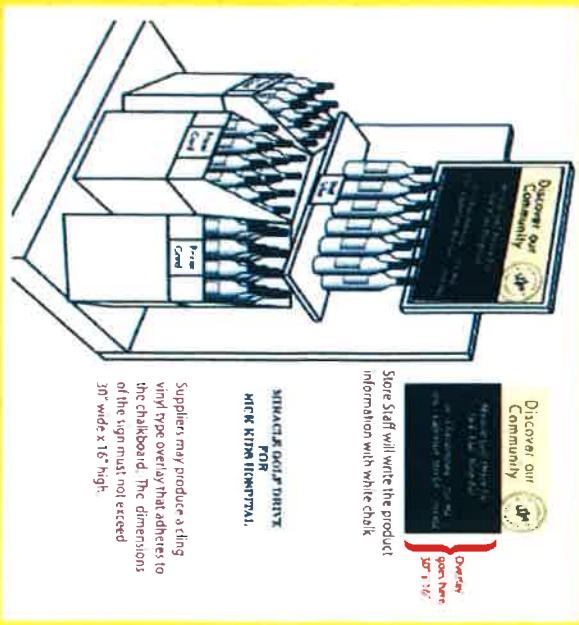
MOLSON COORS

Total Cost \$4000

# Welcome Back Your Soo Greyhound

- **Promotion** – Discover Your Community in Conjunction with the LCBO and Molson Coors
- **Timing** – September 1<sup>st</sup> -21<sup>th</sup> in 8 surrounding locations

The idea behind the Discover Your Community Program at the LCBO is to drive Awareness for something local in the community. Using our Brands and focusing on the 8 stores closest to the Memorial Center, we want to ensure that The Soo Greyhounds have ideal Exposure in all 8 locations , Welcoming Back Sault Ste Marie's team for the 2017 -2018 Season. We will run a sweepstakes, asking LCBO patrons to fill out a ballot for a chance to win the Molson Suite for an upcoming regular season game.



= \$4000 ( plus the value of the Prize)

Also approximately 120k impressions on the Program and Sweeps Focusing on the Sault Ste Marie

Logo

MOLSON COORS

# Molson Coors Brands



CUSTOMERS WANT	MOLSON COORS DELIVERS	BENEFIT TO CUSTOMER
<b>EASY DRINKING BEST SELLERS</b> Domestic Lagers and Light Lagers	<b>Coors LIGHT</b> <b>MOLSON CANADIAN</b>	Market, Volume, and Profit
<b>AMERICAN PROVENANCE</b> Premium and Above Premium Lagers	<b>Coors</b> <b>Lite</b>	Profit
<b>FLAVOUR DISCOVERY</b> Above Premium	<b>HICKORY'S</b> <b>Heineken</b> <b>St. George</b> <b>XX</b> <b>Quebec</b>	Variety and Profit
<b>INTERNATIONAL BRANDS</b> Imported Lagers and Ales	<b>Heublein</b> <b>ONTARIO'S CRAFT BREWERY</b> <b>1ST MICROBREWERY IN CANADA</b>	Profit
<b>AUTHENTIC CRAFT</b> Lagers and Ales	<b>QUEBEC</b> <b>QUEBEC</b>	Distinction and Profit
<b>APPLE BUNDLE</b> Ciders and Apple Beers	<b>STRONGBOW</b> <b>CANADIAN CIDER COMPANY</b> <b>CIDER</b> <b>MULJACK</b>	Variety and Distinction Increased Basket (Retail)

# REASON TO BELIEVE - MOLSON CANADIAN VS. BUD

Appeals to a broad consumer base, with an over development among Millennials.<sup>2</sup>



5% lager in Ontario.<sup>1</sup>

#1  
Draught brand in Ontario.<sup>1</sup>

16% of Canadian is consumed on tap vs. 9% Bud.<sup>2</sup>

**1/2**

of Ontario consumers believe Molson Canadian is the beer of hockey. Only 32% believe Bud is.<sup>3</sup>

**77%** of Canadians associate Molson Canadian with celebrating being Canadian.



Source: 1 Regional Competitive Report July 2016 2 ACTivalon Profile Tool Year 3 2014 3. Crafton Sponsorship Tracker 2015/16 4. GFK Brand Health Tracking 2016

## REASON TO BELIEVE - COORS LIGHT VS. BUD LIGHT



**44%** of consumers believe Coors Light tastes good. Only 37% think Bud Light does.<sup>3</sup>

**1 in 5** consumers have bought Coors Light in the last month. Only 1 in 10 have for Bud Light.<sup>3</sup>

**#1**

Beer in Ontario.<sup>1</sup>

Appeals to a broad consumer base, with an over development among Millennials.<sup>2</sup>



**#1**

Light Draught brand in Ontario.<sup>2</sup>

12% of Coors Light is consumed on tap vs. 9% Bud Light<sup>2</sup>

# MCC ADVANTAGE

## REGIONAL HOCKEY ASSETS

- Kingston Frontenacs
- Peterborough Petes
- Kitchener Rangers
- Niagara Ice Dogs
- Sarnia Sting
- Windsor Spitfires
- Barrie Colts
- Owen Sound Attack
- Sault Ste Marie Greyhounds
- Sudbury Wolves
- North Bay Battalion
- Belleville Senators



## References

# Venue References

- Blaine Smith--President Sudbury Wolves
  - Phone 705-668-6854
  - Email [blaine.smith@sudburwolves.com](mailto:blaine.smith@sudburwolves.com)
- Mike Griffith--President North Bay Battalion
  - Phone 416-451-7400
  - [mgriffin@battalionhockey.com](mailto:mgriffin@battalionhockey.com)
- Rob Mullooney--President & CEO Belleville Senators
  - Phone (613) 720-0516
  - [mullowneyr@bellevillesenators.com](mailto:mullowneyr@bellevillesenators.com)



## Requested Documents - WSIB

**Wsib  
cspaat**  
ONTARIO

eClearance

### MOLSON CANADA 2005 / CORPORATE

#### Account Details

Legal Name	MOLSON CANADA 2005
Trade Name	CORPORATE
Address	C/O CHAN AWONG, 1 CARLINGVIEW DR, ETOBICOKE, ON, M9W 5E5, CAN
Rate Group and Description	230: ALCOHOLIC BEVERAGES
Classification Unit and Description	1131-001: BREWERY PRODUCTS
Clearance Status	Eligible for clearance certificates
Back	



# Requested Documents Insurance



## Certificate of Insurance

No.: 2015-118-MCANAD

This document supersedes any certificate previously issued under this number.

Dated: June 07, 2016

This is to certify that the Party(ies) of Insuree(s) named below ("Policy," or "Policyholders") have been insured in the Named Insured identified below for the policy period(s) indicated. This certificate is issued as a matter of information only and confers no rights upon the Certificate Holder named below other than those provided by the Policy(s). Notwithstanding any requirement, term, or condition of any contract or any other document with respect to which this certificate may be issued or may pertain, the coverage afforded by the Policy(s) is subject to all the terms, conditions, and exclusions of such Policy(s). This certificate does not amend, extend, or alter the coverage afforded by the Policy(s). Limits shown are intended to address contractual obligations of the Named Insured.

Limits may have been reduced since Policy effective date(s) as a result of claim or claims.

**Certificate Holder:**  
 City of Peterborough  
 500 George Street North  
 Peterborough, ON N3K 3R9

**Named Insured and Address:**  
 Nelson Canada 205  
 333 Cartwright Drive  
 Bobcaygeon, ON N0W 5J4

This certificate is based on:  
 Peterborough Memorial Centre

Type(s) of Insurance	Insurer(s)	Policy Number(s)	Effective Date	Sums Insured (or Limits of Liability)
COMMERCIAL GENERAL LIABILITY	ACE INA Insurance	CGL-527443	Nov 01, 2015 to Nov 01, 2016	Each Occurrence / Complicated Operations General Aggregate General Average Self Insured Retention USD 2,000,000
UMBRELLA	AIG Insurance Company of Canada	BLI-346549	Nov 01, 2015 to Nov 01, 2016	Per occurrence General Average Self Insured Retention USD 1,000,000 excess of USD 1,000,000 General Liability USD 1,000,000
AUTOMOBILE	ACE INA Insurance	CAC-201525	Nov 01, 2015 to Nov 01, 2016	Lathi Accident or Decommission Physical Damages are Self Insured under Marshall Canada Self Insured Program USD 10,000

**Additional Information:**  
 City of Peterborough is added as an Additional Insured but only with respect to liability arising out of the operations of the Named Insured.

**Notice of cancellation:**  
 The insurer(s) affording coverage under the policies described herein will not notify the certificate holder named herein of the cancellation of such coverage.

**Marsh Canada Limited**  
 120 Bremner Boulevard  
 Suite 100  
 Toronto, ON M5J 0A3  
 Telephone: 416-864-7344  
 Fax: 416-815-3605  
 chris.perry@marshcanada.com

*Chris Perry*

By:

Chris Perry

**MOLSON COORS**

**SCHEDULE "C"**  
**POURING RIGHTS FEES**

In consideration of the Exclusive Beer Pouring Rights as set out in the Agreement, Molson shall pay the City a fee plus Harmonized Sales Tax (HST) at the applicable rate (currently 13 percent) as follows:

<b><u>Payment Date</u></b>	<b><u>Payment Due</u></b>
July 1, 2018	\$37,000.00 plus applicable HST
July 1, 2019	\$37,000.00 plus applicable HST
July 1, 2020	\$37,000.00 plus applicable HST
July 1, 2021	\$37,000.00 plus applicable HST

**THE CORPORATION OF THE CITY OF SAULT STE. MARIE**

**BY-LAW 2019-135**

**AGREEMENT:** (P5) A by-law to authorize the execution of the Agreement between the City and R.F. Contracting Inc. for the Boiler Replacement at the RESC Building as required by Fire Services.

**THE COUNCIL** of The Corporation of the City of Sault Ste. Marie, pursuant to section 9 of the *Municipal Act, 2001*, S.O. 2001, c. 25, **ENACTS** as follows:

**1. EXECUTION OF DOCUMENT**

The Mayor and City Clerk are hereby authorized for and in the name of the Corporation to execute and affix the seal of the Corporation to the Agreement dated June 17, 2019 between the City and R.F. Contracting Inc., a copy of which is attached as Schedule "A" hereto. This Agreement is for the Boiler Replacement at the RESC Building as required by Fire Services.

**2. SCHEDULE "A"**

Schedule "A" forms part of this by-law.

**3. EFFECTIVE DATE**

This by-law takes effect on the day of its final passing.

**PASSED** in open Council this 17th of June, 2019.

---

**MAYOR - CHRISTIAN PROVENZANO**

---

**CITY CLERK - MALCOLM WHITE**

CCDC 2

stipulated price contract

2008

RESC Building Boiler Replacement  
Sault Ste. Marie, ON  
(City File #2019 FIR-03-T)

Apply a CCDC 2 copyright seal here. The application  
of the seal demonstrates the intention of the party  
proposing the use of this document that it be an  
accurate and unamended form of CCDC 2 – 2008  
except to the extent that any alterations, additions or  
modifications are set forth in supplementary conditions.

CANADIAN CONSTRUCTION DOCUMENTS COMMITTEE  
CANADIAN CONSTRUCTION DOCUMENTS COMMITTEE  
CANADIAN CONSTRUCTION DOCUMENTS COMMITTEE

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The Canadian Construction Documents Committee (CCDC) is a national joint committee responsible for the development, production and review of standard Canadian construction contracts, forms and guides. Formed in 1974 the CCDC is made up of volunteer representatives from:

- Public Sector Owners
- Private Sector Owners
- Canadian Bar Association (Ex-Officio)
- \* The Association of Canadian Engineering Companies
- \* The Canadian Construction Association
- \* Construction Specifications Canada
- \* The Royal Architectural Institute of Canada

\*Committee policy and procedures are directed and approved by the four constituent national organizations.

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**AGREEMENT BETWEEN OWNER AND CONTRACTOR**

For use when a stipulated price is the basis of payment.

This Agreement made on the 17 day of June in the year 2019,

by and between the parties

City of Sault Ste. Marie

---

hereinafter called the "*Owner*"

and

R.F. Contracting Inc.

---

hereinafter called the "*Contractor*"

The *Owner* and the *Contractor* agree as follows:

**ARTICLE A-1 THE WORK**

The *Contractor* shall:

- 1.1 perform the *Work* required by the *Contract Documents* for  
Boiler Replacement

---

*insert above the name of the Work*

located at

RESC Building, Sault Ste. Marie, ON

---

*insert above the Place of the Work*

for which the Agreement has been signed by the parties, and for which  
MET Energy Systems Consulting Engineering

---

*insert above the name of the Consultant*

is acting as and is hereinafter called the "*Consultant*" and

- 1.2 do and fulfill everything indicated by the *Contract Documents*, and

- 1.3 commence the *Work* by the 1 day of July in the year 2019 and, subject to adjustment in *Contract Time* as provided for in the *Contract Documents*, attain *Substantial Performance of the Work*, by the 31 day of August in the year 2019.

**ARTICLE A-2 AGREEMENTS AND AMENDMENTS**

- 2.1 The *Contract* supersedes all prior negotiations, representations or agreements, either written or oral, relating in any manner to the *Work*, including the bidding documents that are not expressly listed in Article A-3 of the Agreement - CONTRACT DOCUMENTS.
- 2.2 The *Contract* may be amended only as provided in the *Contract Documents*.

## ARTICLE A-3 CONTRACT DOCUMENTS

3.1 The following are the *Contract Documents* referred to in Article A-1 of the Agreement - THE WORK:

- Agreement between *Owner* and *Contractor*
- Definitions
- The General Conditions of the Stipulated Price Contract

\*

### List of Drawings

M1 - Boiler Schematic  
M2 - Demolition Plan  
M3 - New Plan  
M4 - Sections & Details  
M5 - Elevation  
ME1 - General Notes & Schedules

### List of Specifications

00000 Title Page  
00100 Instruction to Bidders  
00300 Tender Form  
01001 General Requirements  
07840 Penetration Firestopping  
15010 General Mechanical Requirements

\* (Insert here, attaching additional pages if required, a list identifying all other Contract Documents e.g. supplementary conditions; information documents; specifications, giving a list of contents with section numbers and titles, number of pages and date; material finishing schedules; drawings, giving drawing number, title, date, revision date or mark; addenda, giving title, number, date)

## ARTICLE A-4 CONTRACT PRICE

4.1 The *Contract Price*, which excludes *Value Added Taxes*, is:

One Hundred Twenty Seven Thousand Nine Hundred

/100 dollars \$ 127,900.00

4.2 *Value Added Taxes* (of 13 %) payable by the *Owner* to the *Contractor* are:

Sixteen Thousand Six Hundred, Twenty Seven

/100 dollars \$ 16,627.00

4.3 Total amount payable by the *Owner* to the *Contractor* for the construction of the *Work* is:

One Hundred Forty-Four Thousand Five Hundred Twenty Seven

/100 dollars \$ 144,527.00

4.4 These amounts shall be subject to adjustments as provided in the *Contract Documents*.

4.5 All amounts are in Canadian funds.

## ARTICLE A-5 PAYMENT

5.1 Subject to the provisions of the *Contract Documents*, and in accordance with legislation and statutory regulations respecting holdback percentages and, where such legislation or regulations do not exist or apply, subject to a holdback of Ten percent (10 %), the *Owner* shall:

- .1 make progress payments to the *Contractor* on account of the *Contract Price* when due in the amount certified by the *Consultant* together with such *Value Added Taxes* as may be applicable to such payments, and
- .2 upon *Substantial Performance of the Work*, pay to the *Contractor* the unpaid balance of the holdback amount when due together with such *Value Added Taxes* as may be applicable to such payment, and
- .3 upon the issuance of the final certificate for payment, pay to the *Contractor* the unpaid balance of the *Contract Price* when due together with such *Value Added Taxes* as may be applicable to such payment.

5.2 In the event of loss or damage occurring where payment becomes due under the property and boiler insurance policies, payments shall be made to the *Contractor* in accordance with the provisions of GC 11.1 – INSURANCE.

5.3 Interest

- .1 Should either party fail to make payments as they become due under the terms of the *Contract* or in an award by arbitration or court, interest at the following rates on such unpaid amounts shall also become due and payable until payment:
  - (1) 2% per annum above the prime rate for the first 60 days.
  - (2) 4% per annum above the prime rate after the first 60 days.Such interest shall be compounded on a monthly basis. The prime rate shall be the rate of interest quoted by

CIBC

*(Insert name of chartered lending institution whose prime rate is to be used)*

for prime business loans as it may change from time to time.

- .2 Interest shall apply at the rate and in the manner prescribed by paragraph 5.3.1 of this Article on the settlement amount of any claim in dispute that is resolved either pursuant to Part 8 of the General Conditions – DISPUTE RESOLUTION or otherwise, from the date the amount would have been due and payable under the *Contract*, had it not been in dispute, until the date it is paid.

## ARTICLE A-6 RECEIPT OF AND ADDRESSES FOR NOTICES IN WRITING

- 6.1 *Notices in Writing* will be addressed to the recipient at the address set out below. The delivery of a *Notice in Writing* will be by hand, by courier, by prepaid first class mail, or by facsimile or other form of electronic communication during the transmission of which no indication of failure of receipt is communicated to the sender. A *Notice in Writing* delivered by one party in accordance with this *Contract* will be deemed to have been received by the other party on the date of delivery if delivered by hand or courier, or if sent by mail it shall be deemed to have been received five calendar days after the date on which it was mailed, provided that if either such day is not a *Working Day*, then the *Notice in Writing* shall be deemed to have been received on the *Working Day* next following such day. A *Notice in Writing* sent by facsimile or other form of electronic communication shall be deemed to have been received on the date of its transmission provided that if such day is not a *Working Day* or if it is received after the end of normal business hours on the date of its transmission at the place of receipt, then it shall be deemed to have been received at the opening of business at the place of receipt on the first *Working Day* next following the transmission thereof. An address for a party may be changed by *Notice in Writing* to the other party setting out the new address in accordance with this Article.

### Owner

City of Sault Ste. Marie

---

*name of Owner\**

99 Foster Drive, Sault Ste. Marie, Ontario

---

*address*

t.gowans@cityssm.on.ca

---

*facsimile number*

*email address*

### Contractor

R.F. Contracting Inc.

---

*name of Contractor\**

116 Industrial Park Crescent, Sault Ste. Marie, ON

---

*address*

(705) 253-8541

general@rfcontracting.com

---

*facsimile number*

*email address*

### Consultant

MET Energy Systems

---

*name of Consultant\**

477 Queen Street East, Suite 204, Sault Ste. Marie, Ontario

---

*address*

(705) 942-1477

jim.liguori@meteng.on.ca

---

*facsimile number*

*email address*

\* If it is intended that the notice must be received by a specific individual, that individual's name shall be indicated.

## ARTICLE A-7 LANGUAGE OF THE CONTRACT

- 7.1 When the *Contract Documents* are prepared in both the English and French languages, it is agreed that in the event of any apparent discrepancy between the English and French versions, the  English /  French # language shall prevail.  
# Complete this statement by striking out inapplicable term.
- 7.2 This Agreement is drawn in English at the request of the parties hereto. La présente convention est rédigée en anglais à la demande des parties.

## ARTICLE A-8 SUCCESSION

8.1 The *Contract* shall enure to the benefit of and be binding upon the parties hereto, their respective heirs, legal representatives, successors, and assigns.

In witness whereof the parties hereto have executed this Agreement by the hands of their duly authorized representatives.

SIGNED AND DELIVERED  
in the presence of:

### WITNESS

### OWNER

City of Sault Ste. Marie

*name of owner*

*signature*

*signature*

*name of person signing*

*name and title of person signing*

*signature*

*signature*

*name of person signing*

*name and title of person signing*

### WITNESS

### CONTRACTOR

R.F. Contracting Inc.

*name of Contractor*

C. Davieaux, Administrative Assistant

*name of person signing*

D.H. Pawliuk, President

*name and title of person signing*

*signature*

*signature*

*name of person signing*

*name and title of person signing*

N.B. Where legal jurisdiction, local practice or Owner or Contractor requirement calls for:

- (a) proof of authority to execute this document, attach such proof of authority in the form of a certified copy of a resolution naming the representative(s) authorized to sign the Agreement for and on behalf of the corporation or partnership; or
- (b) the affixing of a corporate seal, this Agreement should be properly sealed.

## DEFINITIONS

The following Definitions shall apply to all *Contract Documents*.

### 1. Change Directive

A *Change Directive* is a written instruction prepared by the *Consultant* and signed by the *Owner* directing the *Contractor* to proceed with a change in the *Work* within the general scope of the *Contract Documents* prior to the *Owner* and the *Contractor* agreeing upon adjustments in the *Contract Price* and the *Contract Time*.

### 2. Change Order

A *Change Order* is a written amendment to the *Contract* prepared by the *Consultant* and signed by the *Owner* and the *Contractor* stating their agreement upon:

- a change in the *Work*;
- the method of adjustment or the amount of the adjustment in the *Contract Price*, if any; and
- the extent of the adjustment in the *Contract Time*, if any.

### 3. Construction Equipment

*Construction Equipment* means all machinery and equipment, either operated or not operated, that is required for preparing, fabricating, conveying, erecting, or otherwise performing the *Work* but is not incorporated into the *Work*.

### 4. Consultant

The *Consultant* is the person or entity engaged by the *Owner* and identified as such in the Agreement. The *Consultant* is the Architect, the Engineer or entity licensed to practise in the province or territory of the *Place of the Work*. The term *Consultant* means the *Consultant* or the *Consultant's* authorized representative.

### 5. Contract

The *Contract* is the undertaking by the parties to perform their respective duties, responsibilities and obligations as prescribed in the *Contract Documents* and represents the entire agreement between the parties.

### 6. Contract Documents

The *Contract Documents* consist of those documents listed in Article A-3 of the Agreement - CONTRACT DOCUMENTS and amendments agreed upon between the parties.

### 7. Contract Price

The *Contract Price* is the amount stipulated in Article A-4 of the Agreement - CONTRACT PRICE.

### 8. Contract Time

The *Contract Time* is the time stipulated in paragraph 1.3 of Article A-1 of the Agreement - THE WORK from commencement of the *Work* to Substantial Performance of the *Work*.

### 9. Contractor

The *Contractor* is the person or entity identified as such in the Agreement. The term *Contractor* means the *Contractor* or the *Contractor's* authorized representative as designated to the *Owner* in writing.

### 10. Drawings

The *Drawings* are the graphic and pictorial portions of the *Contract Documents*, wherever located and whenever issued, showing the design, location and dimensions of the *Work*, generally including plans, elevations, sections, details, and diagrams.

### 11. Notice in Writing

A *Notice in Writing*, where identified in the *Contract Documents*, is a written communication between the parties or between them and the *Consultant* that is transmitted in accordance with the provisions of Article A-6 of the Agreement – RECEIPT OF AND ADDRESSES FOR NOTICES IN WRITING.

### 12. Owner

The *Owner* is the person or entity identified as such in the Agreement. The term *Owner* means the *Owner* or the *Owner's* authorized agent or representative as designated to the *Contractor* in writing, but does not include the *Consultant*.

### 13. Place of the Work

The *Place of the Work* is the designated site or location of the *Work* identified in the *Contract Documents*.

### 14. Product

*Product* or *Products* means material, machinery, equipment, and fixtures forming the *Work*, but does not include *Construction Equipment*.

- 15. Project**  
The *Project* means the total construction contemplated of which the *Work* may be the whole or a part.
- 16. Provide**  
*Provide* means to supply and install.
- 17. Shop Drawings**  
*Shop Drawings* are drawings, diagrams, illustrations, schedules, performance charts, brochures, *Product* data, and other data which the *Contractor* provides to illustrate details of portions of the *Work*.
- 18. Specifications**  
The *Specifications* are that portion of the *Contract Documents*, wherever located and whenever issued, consisting of the written requirements and standards for *Products*, systems, workmanship, quality, and the services necessary for the performance of the *Work*.
- 19. Subcontractor**  
A *Subcontractor* is a person or entity having a direct contract with the *Contractor* to perform a part or parts of the *Work* at the *Place of the Work*.
- 20. Substantial Performance of the Work**  
*Substantial Performance of the Work* is as defined in the lien legislation applicable to the *Place of the Work*. If such legislation is not in force or does not contain such definition, or if the *Work* is governed by the Civil Code of Quebec, *Substantial Performance of the Work* shall have been reached when the *Work* is ready for use or is being used for the purpose intended and is so certified by the *Consultant*.
- 21. Supplemental Instruction**  
A *Supplemental Instruction* is an instruction, not involving adjustment in the *Contract Price* or *Contract Time*, in the form of *Specifications*, *Drawings*, schedules, samples, models or written instructions, consistent with the intent of the *Contract Documents*. It is to be issued by the *Consultant* to supplement the *Contract Documents* as required for the performance of the *Work*.
- 22. Supplier**  
A *Supplier* is a person or entity having a direct contract with the *Contractor* to supply *Products*.
- 23. Temporary Work**  
*Temporary Work* means temporary supports, structures, facilities, services, and other temporary items, excluding *Construction Equipment*, required for the execution of the *Work* but not incorporated into the *Work*.
- 24. Value Added Taxes**  
*Value Added Taxes* means such sum as shall be levied upon the *Contract Price* by the Federal or any Provincial or Territorial Government and is computed as a percentage of the *Contract Price* and includes the Goods and Services Tax, the Quebec Sales Tax, the Harmonized Sales Tax, and any similar tax, the collection and payment of which have been imposed on the *Contractor* by the tax legislation.
- 25. Work**  
The *Work* means the total construction and related services required by the *Contract Documents*.
- 26. Working Day**  
*Working Day* means a day other than a Saturday, Sunday, statutory holiday, or statutory vacation day that is observed by the construction industry in the area of the *Place of the Work*.

## GENERAL CONDITIONS OF THE STIPULATED PRICE CONTRACT

### PART 1 GENERAL PROVISIONS

#### GC 1.1 CONTRACT DOCUMENTS

- 1.1.1 The intent of the *Contract Documents* is to include the labour, *Products* and services necessary for the performance of the *Work* by the *Contractor* in accordance with these documents. It is not intended, however, that the *Contractor* shall supply products or perform work not consistent with, not covered by, or not properly inferable from the *Contract Documents*.
- 1.1.2 Nothing contained in the *Contract Documents* shall create any contractual relationship between:
  - .1 the *Owner* and a *Subcontractor*, a *Supplier*, or their agent, employee, or other person performing any portion of the *Work*.
  - .2 the *Consultant* and the *Contractor*, a *Subcontractor*, a *Supplier*, or their agent, employee, or other person performing any portion of the *Work*.
- 1.1.3 The *Contract Documents* are complementary, and what is required by any one shall be as binding as if required by all.
- 1.1.4 Words and abbreviations which have well known technical or trade meanings are used in the *Contract Documents* in accordance with such recognized meanings.
- 1.1.5 References in the *Contract Documents* to the singular shall be considered to include the plural as the context requires.
- 1.1.6 Neither the organization of the *Specifications* nor the arrangement of *Drawings* shall control the *Contractor* in dividing the work among *Subcontractors* and *Suppliers*.
- 1.1.7 If there is a conflict within the *Contract Documents*:
  - .1 the order of priority of documents, from highest to lowest, shall be
    - the Agreement between the *Owner* and the *Contractor*,
    - the Definitions,
    - Supplementary Conditions,
    - the General Conditions,
    - Division 1 of the *Specifications*,
    - technical *Specifications*,
    - material and finishing schedules,
    - the *Drawings*.
  - .2 *Drawings* of larger scale shall govern over those of smaller scale of the same date.
  - .3 dimensions shown on *Drawings* shall govern over dimensions scaled from *Drawings*.
  - .4 later dated documents shall govern over earlier documents of the same type.
- 1.1.8 The *Owner* shall provide the *Contractor*, without charge, sufficient copies of the *Contract Documents* to perform the *Work*.
- 1.1.9 *Specifications*, *Drawings*, models, and copies thereof furnished by the *Consultant* are and shall remain the *Consultant's* property, with the exception of the signed *Contract* sets, which shall belong to each party to the *Contract*. All *Specifications*, *Drawings* and models furnished by the *Consultant* are to be used only with respect to the *Work* and are not to be used on other work. These *Specifications*, *Drawings* and models are not to be copied or altered in any manner without the written authorization of the *Consultant*.
- 1.1.10 Models furnished by the *Contractor* at the *Owner's* expense are the property of the *Owner*.

#### GC 1.2 LAW OF THE CONTRACT

- 1.2.1 The law of the *Place of the Work* shall govern the interpretation of the *Contract*.

#### GC 1.3 RIGHTS AND REMEDIES

- 1.3.1 Except as expressly provided in the *Contract Documents*, the duties and obligations imposed by the *Contract Documents* and the rights and remedies available thereunder shall be in addition to and not a limitation of any duties, obligations, rights, and remedies otherwise imposed or available by law.
- 1.3.2 No action or failure to act by the *Owner*, *Consultant* or *Contractor* shall constitute a waiver of any right or duty afforded any of them under the *Contract*, nor shall any such action or failure to act constitute an approval of or acquiescence in any breach thereunder, except as may be specifically agreed in writing.

## **GC 1.4 ASSIGNMENT**

- 1.4.1 Neither party to the *Contract* shall assign the *Contract* or a portion thereof without the written consent of the other, which consent shall not be unreasonably withheld.

## **PART 2 ADMINISTRATION OF THE CONTRACT**

### **GC 2.1 AUTHORITY OF THE CONSULTANT**

- 2.1.1 The *Consultant* will have authority to act on behalf of the *Owner* only to the extent provided in the *Contract Documents*, unless otherwise modified by written agreement as provided in paragraph 2.1.2.
- 2.1.2 The duties, responsibilities and limitations of authority of the *Consultant* as set forth in the *Contract Documents* shall be modified or extended only with the written consent of the *Owner*, the *Contractor* and the *Consultant*.
- 2.1.3 If the *Consultant's* employment is terminated, the *Owner* shall immediately appoint or reappoint a *Consultant* against whom the *Contractor* makes no reasonable objection and whose status under the *Contract Documents* shall be that of the former *Consultant*.

### **GC 2.2 ROLE OF THE CONSULTANT**

- 2.2.1 The *Consultant* will provide administration of the *Contract* as described in the *Contract Documents*.
- 2.2.2 The *Consultant* will visit the *Place of the Work* at intervals appropriate to the progress of construction to become familiar with the progress and quality of the work and to determine if the *Work* is proceeding in general conformity with the *Contract Documents*.
- 2.2.3 If the *Owner* and the *Consultant* agree, the *Consultant* will provide at the *Place of the Work*, one or more project representatives to assist in carrying out the *Consultant's* responsibilities. The duties, responsibilities and limitations of authority of such project representatives shall be as set forth in writing to the *Contractor*.
- 2.2.4 The *Consultant* will promptly inform the *Owner* of the date of receipt of the *Contractor's* applications for payment as provided in paragraph 5.3.1.1 of GC 5.3 – PROGRESS PAYMENT.
- 2.2.5 Based on the *Consultant's* observations and evaluation of the *Contractor's* applications for payment, the *Consultant* will determine the amounts owing to the *Contractor* under the *Contract* and will issue certificates for payment as provided in Article A-5 of the Agreement - PAYMENT, GC 5.3 - PROGRESS PAYMENT and GC 5.7 - FINAL PAYMENT.
- 2.2.6 The *Consultant* will not be responsible for and will not have control, charge or supervision of construction means, methods, techniques, sequences, or procedures, or for safety precautions and programs required in connection with the *Work* in accordance with the applicable construction safety legislation, other regulations or general construction practice. The *Consultant* will not be responsible for the *Contractor's* failure to carry out the *Work* in accordance with the *Contract Documents*. The *Consultant* will not have control over, charge of or be responsible for the acts or omissions of the *Contractor*, *Subcontractors*, *Suppliers*, or their agents, employees, or any other persons performing portions of the *Work*.
- 2.2.7 Except with respect to GC 5.1 - FINANCING INFORMATION REQUIRED OF THE OWNER, the *Consultant* will be, in the first instance, the interpreter of the requirements of the *Contract Documents*.
- 2.2.8 Matters in question relating to the performance of the *Work* or the interpretation of the *Contract Documents* shall be initially referred in writing to the *Consultant* by the party raising the question for interpretations and findings and copied to the other party.
- 2.2.9 Interpretations and findings of the *Consultant* shall be consistent with the intent of the *Contract Documents*. In making such interpretations and findings the *Consultant* will not show partiality to either the *Owner* or the *Contractor*.
- 2.2.10 The *Consultant's* interpretations and findings will be given in writing to the parties within a reasonable time.
- 2.2.11 With respect to claims for a change in *Contract Price*, the *Consultant* will make findings as set out in GC 6.6 – CLAIMS FOR A CHANGE IN CONTRACT PRICE.
- 2.2.12 The *Consultant* will have authority to reject work which in the *Consultant's* opinion does not conform to the requirements of the *Contract Documents*. Whenever the *Consultant* considers it necessary or advisable, the *Consultant* will have authority to require inspection or testing of work, whether or not such work is fabricated, installed or completed. However, neither the authority of the *Consultant* to act nor any decision either to exercise or not to exercise such authority shall give rise to any duty or responsibility of the *Consultant* to the *Contractor*, *Subcontractors*, *Suppliers*, or their agents, employees, or other persons performing any of the *Work*.

- 2.2.13 During the progress of the *Work* the *Consultant* will furnish *Supplemental Instructions* to the *Contractor* with reasonable promptness or in accordance with a schedule for such instructions agreed to by the *Consultant* and the *Contractor*.
- 2.2.14 The *Consultant* will review and take appropriate action upon *Shop Drawings*, samples and other *Contractor's* submittals, in accordance with the *Contract Documents*.
- 2.2.15 The *Consultant* will prepare *Change Orders* and *Change Directives* as provided in GC 6.2 - CHANGE ORDER and GC 6.3 - CHANGE DIRECTIVE.
- 2.2.16 The *Consultant* will conduct reviews of the *Work* to determine the date of *Substantial Performance of the Work* as provided in GC 5.4 - SUBSTANTIAL PERFORMANCE OF THE WORK.
- 2.2.17 All certificates issued by the *Consultant* will be to the best of the *Consultant's* knowledge, information and belief. By issuing any certificate, the *Consultant* does not guarantee the *Work* is correct or complete.
- 2.2.18 The *Consultant* will receive and review written warranties and related documents required by the *Contract* and provided by the *Contractor* and will forward such warranties and documents to the *Owner* for the *Owner's* acceptance.

#### **GC 2.3 REVIEW AND INSPECTION OF THE WORK**

- 2.3.1 The *Owner* and the *Consultant* shall have access to the *Work* at all times. The *Contractor* shall provide sufficient, safe and proper facilities at all times for the review of the *Work* by the *Consultant* and the inspection of the *Work* by authorized agencies. If parts of the *Work* are in preparation at locations other than the *Place of the Work*, the *Owner* and the *Consultant* shall be given access to such work whenever it is in progress.
- 2.3.2 If work is designated for tests, inspections or approvals in the *Contract Documents*, or by the *Consultant's* instructions, or by the laws or ordinances of the *Place of the Work*, the *Contractor* shall give the *Consultant* reasonable notification of when the work will be ready for review and inspection. The *Contractor* shall arrange for and shall give the *Consultant* reasonable notification of the date and time of inspections by other authorities.
- 2.3.3 The *Contractor* shall furnish promptly to the *Consultant* two copies of certificates and inspection reports relating to the *Work*.
- 2.3.4 If the *Contractor* covers, or permits to be covered, work that has been designated for special tests, inspections or approvals before such special tests, inspections or approvals are made, given or completed, the *Contractor* shall, if so directed, uncover such work, have the inspections or tests satisfactorily completed, and make good covering work at the *Contractor's* expense.
- 2.3.5 The *Consultant* may order any portion or portions of the *Work* to be examined to confirm that such work is in accordance with the requirements of the *Contract Documents*. If the work is not in accordance with the requirements of the *Contract Documents*, the *Contractor* shall correct the work and pay the cost of examination and correction. If the work is in accordance with the requirements of the *Contract Documents*, the *Owner* shall pay the cost of examination and restoration.
- 2.3.6 The *Contractor* shall pay the cost of making any test or inspection, including the cost of samples required for such test or inspection, if such test or inspection is designated in the *Contract Documents* to be performed by the *Contractor* or is designated by the laws or ordinances applicable to the *Place of the Work*.
- 2.3.7 The *Contractor* shall pay the cost of samples required for any test or inspection to be performed by the *Consultant* or the *Owner* if such test or inspection is designated in the *Contract Documents*.

#### **GC 2.4 DEFECTIVE WORK**

- 2.4.1 The *Contractor* shall promptly correct defective work that has been rejected by the *Consultant* as failing to conform to the *Contract Documents* whether or not the defective work has been incorporated in the *Work* and whether or not the defect is the result of poor workmanship, use of defective products or damage through carelessness or other act or omission of the *Contractor*.
- 2.4.2 The *Contractor* shall make good promptly other contractors' work destroyed or damaged by such corrections at the *Contractor's* expense.
- 2.4.3 If in the opinion of the *Consultant* it is not expedient to correct defective work or work not performed as provided in the *Contract Documents*, the *Owner* may deduct from the amount otherwise due to the *Contractor* the difference in value between the work as performed and that called for by the *Contract Documents*. If the *Owner* and the *Contractor* do not agree on the difference in value, they shall refer the matter to the *Consultant* for a determination.

## PART 3 EXECUTION OF THE WORK

### GC 3.1 CONTROL OF THE WORK

- 3.1.1 The *Contractor* shall have total control of the *Work* and shall effectively direct and supervise the *Work* so as to ensure conformity with the *Contract Documents*.
- 3.1.2 The *Contractor* shall be solely responsible for construction means, methods, techniques, sequences, and procedures and for co-ordinating the various parts of the *Work* under the *Contract*.

### GC 3.2 CONSTRUCTION BY OWNER OR OTHER CONTRACTORS

- 3.2.1 The *Owner* reserves the right to award separate contracts in connection with other parts of the *Project* to other contractors and to perform work with own forces.
- 3.2.2 When separate contracts are awarded for other parts of the *Project*, or when work is performed by the *Owner's* own forces, the *Owner* shall:
  - .1 provide for the co-ordination of the activities and work of other contractors and *Owner's* own forces with the *Work* of the *Contract*;
  - .2 assume overall responsibility for compliance with the applicable health and construction safety legislation at the *Place of the Work*;
  - .3 enter into separate contracts with other contractors under conditions of contract which are compatible with the conditions of the *Contract*;
  - .4 ensure that insurance coverage is provided to the same requirements as are called for in GC 11.1 - INSURANCE and co-ordinate such insurance with the insurance coverage of the *Contractor* as it affects the *Work*; and
  - .5 take all reasonable precautions to avoid labour disputes or other disputes on the *Project* arising from the work of other contractors or the *Owner's* own forces.
- 3.2.3 When separate contracts are awarded for other parts of the *Project*, or when work is performed by the *Owner's* own forces, the *Contractor* shall:
  - .1 afford the *Owner* and other contractors reasonable opportunity to store their products and execute their work;
  - .2 cooperate with other contractors and the *Owner* in reviewing their construction schedules; and
  - .3 promptly report to the *Consultant* in writing any apparent deficiencies in the work of other contractors or of the *Owner's* own forces, where such work affects the proper execution of any portion of the *Work*, prior to proceeding with that portion of the *Work*.
- 3.2.4 Where the *Contract Documents* identify work to be performed by other contractors or the *Owner's* own forces, the *Contractor* shall co-ordinate and schedule the *Work* with the work of other contractors and the *Owner's* own forces as specified in the *Contract Documents*.
- 3.2.5 Where a change in the *Work* is required as a result of the co-ordination and integration of the work of other contractors or *Owner's* own forces with the *Work*, the changes shall be authorized and valued as provided in GC 6.1 – OWNER'S RIGHT TO MAKE CHANGES, GC 6.2 - CHANGE ORDER and GC 6.3 - CHANGE DIRECTIVE.
- 3.2.6 Disputes and other matters in question between the *Contractor* and other contractors shall be dealt with as provided in Part 8 of the General Conditions - DISPUTE RESOLUTION provided the other contractors have reciprocal obligations. The *Contractor* shall be deemed to have consented to arbitration of any dispute with any other contractor whose contract with the *Owner* contains a similar agreement to arbitrate.

### GC 3.3 TEMPORARY WORK

- 3.3.1 The *Contractor* shall have the sole responsibility for the design, erection, operation, maintenance, and removal of *Temporary Work*.
- 3.3.2 The *Contractor* shall engage and pay for registered professional engineering personnel skilled in the appropriate disciplines to perform those functions referred to in paragraph 3.3.1 where required by law or by the *Contract Documents* and in all cases where such *Temporary Work* is of such a nature that professional engineering skill is required to produce safe and satisfactory results.

- 3.3.3 Notwithstanding the provisions of GC 3.1 - CONTROL OF THE WORK, paragraphs 3.3.1 and 3.3.2 or provisions to the contrary elsewhere in the *Contract Documents* where such *Contract Documents* include designs for *Temporary Work* or specify a method of construction in whole or in part, such designs or methods of construction shall be considered to be part of the design of the *Work* and the *Contractor* shall not be held responsible for that part of the design or the specified method of construction. The *Contractor* shall, however, be responsible for the execution of such design or specified method of construction in the same manner as for the execution of the *Work*.

#### **GC 3.4 DOCUMENT REVIEW**

- 3.4.1 The *Contractor* shall review the *Contract Documents* and shall report promptly to the *Consultant* any error, inconsistency or omission the *Contractor* may discover. Such review by the *Contractor* shall be to the best of the *Contractor's* knowledge, information and belief and in making such review the *Contractor* does not assume any responsibility to the *Owner* or the *Consultant* for the accuracy of the review. The *Contractor* shall not be liable for damage or costs resulting from such errors, inconsistencies or omissions in the *Contract Documents*, which the *Contractor* did not discover. If the *Contractor* does discover any error, inconsistency or omission in the *Contract Documents*, the *Contractor* shall not proceed with the work affected until the *Contractor* has received corrected or missing information from the *Consultant*.

#### **GC 3.5 CONSTRUCTION SCHEDULE**

- 3.5.1 The *Contractor* shall:
- .1 prepare and submit to the *Owner* and the *Consultant* prior to the first application for payment, a construction schedule that indicates the timing of the major activities of the *Work* and provides sufficient detail of the critical events and their inter-relationship to demonstrate the *Work* will be performed in conformity with the *Contract Time*;
  - .2 monitor the progress of the *Work* relative to the construction schedule and update the schedule on a monthly basis or as stipulated by the *Contract Documents*; and
  - .3 advise the *Consultant* of any revisions required to the schedule as the result of extensions of the *Contract Time* as provided in Part 6 of the General Conditions - CHANGES IN THE WORK.

#### **GC 3.6 SUPERVISION**

- 3.6.1 The *Contractor* shall provide all necessary supervision and appoint a competent representative who shall be in attendance at the *Place of the Work* while work is being performed. The appointed representative shall not be changed except for valid reason.
- 3.6.2 The appointed representative shall represent the *Contractor* at the *Place of the Work*. Information and instructions provided by the *Consultant* to the *Contractor's* appointed representative shall be deemed to have been received by the *Contractor*, except with respect to Article A-6 of the Agreement – RECEIPT OF AND ADDRESSES FOR NOTICES IN WRITING.

#### **GC 3.7 SUBCONTRACTORS AND SUPPLIERS**

- 3.7.1 The *Contractor* shall preserve and protect the rights of the parties under the *Contract* with respect to work to be performed under subcontract, and shall:
- .1 enter into contracts or written agreements with *Subcontractors* and *Suppliers* to require them to perform their work as provided in the *Contract Documents*;
  - .2 incorporate the terms and conditions of the *Contract Documents* into all contracts or written agreements with *Subcontractors* and *Suppliers*; and
  - .3 be as fully responsible to the *Owner* for acts and omissions of *Subcontractors*, *Suppliers* and of persons directly or indirectly employed by them as for acts and omissions of persons directly employed by the *Contractor*.
- 3.7.2 The *Contractor* shall indicate in writing, if requested by the *Owner*, those *Subcontractors* or *Suppliers* whose bids have been received by the *Contractor* which the *Contractor* would be prepared to accept for the performance of a portion of the *Work*. Should the *Owner* not object before signing the *Contract*, the *Contractor* shall employ those *Subcontractors* or *Suppliers* so identified by the *Contractor* in writing for the performance of that portion of the *Work* to which their bid applies.
- 3.7.3 The *Owner* may, for reasonable cause, at any time before the *Owner* has signed the *Contract*, object to the use of a proposed *Subcontractor* or *Supplier* and require the *Contractor* to employ one of the other subcontract bidders.
- 3.7.4 If the *Owner* requires the *Contractor* to change a proposed *Subcontractor* or *Supplier*, the *Contract Price* and *Contract Time* shall be adjusted by the differences occasioned by such required change.

- 3.7.5 The *Contractor* shall not be required to employ as a *Subcontractor* or *Supplier*, a person or firm to which the *Contractor* may reasonably object.
- 3.7.6 The *Owner*, through the *Consultant*, may provide to a *Subcontractor* or *Supplier* information as to the percentage of the *Subcontractor's* or *Supplier's* work which has been certified for payment.

### **GC 3.8 LABOUR AND PRODUCTS**

- 3.8.1 The *Contractor* shall provide and pay for labour, *Products*, tools, *Construction Equipment*, water, heat, light, power, transportation, and other facilities and services necessary for the performance of the *Work* in accordance with the *Contract*.
- 3.8.2 Unless otherwise specified in the *Contract Documents*, *Products* provided shall be new. *Products* which are not specified shall be of a quality consistent with those specified and their use acceptable to the *Consultant*.
- 3.8.3 The *Contractor* shall maintain good order and discipline among the *Contractor's* employees engaged on the *Work* and shall not employ on the *Work* anyone not skilled in the tasks assigned.

### **GC 3.9 DOCUMENTS AT THE SITE**

- 3.9.1 The *Contractor* shall keep one copy of current *Contract Documents*, submittals, reports, and records of meetings at the *Place of the Work*, in good order and available to the *Owner* and the *Consultant*.

### **GC 3.10 SHOP DRAWINGS**

- 3.10.1 The *Contractor* shall provide *Shop Drawings* as required in the *Contract Documents*.
- 3.10.2 The *Contractor* shall provide *Shop Drawings* to the *Consultant* to review in orderly sequence and sufficiently in advance so as to cause no delay in the *Work* or in the work of other contractors.
- 3.10.3 Upon request of the *Contractor* or the *Consultant*, they shall jointly prepare a schedule of the dates for provision, review and return of *Shop Drawings*.
- 3.10.4 The *Contractor* shall provide *Shop Drawings* in the form specified, or if not specified, as directed by the *Consultant*.
- 3.10.5 *Shop Drawings* provided by the *Contractor* to the *Consultant* shall indicate by stamp, date and signature of the person responsible for the review that the *Contractor* has reviewed each one of them.
- 3.10.6 The *Consultant's* review is for conformity to the design concept and for general arrangement only.
- 3.10.7 *Shop Drawings* which require approval of any legally constituted authority having jurisdiction shall be provided to such authority by the *Contractor* for approval.
- 3.10.8 The *Contractor* shall review all *Shop Drawings* before providing them to the *Consultant*. The *Contractor* represents by this review that:
  - .1 the *Contractor* has determined and verified all applicable field measurements, field construction conditions, *Product* requirements, catalogue numbers and similar data, or will do so, and
  - .2 the *Contractor* has checked and co-ordinated each *Shop Drawing* with the requirements of the *Work* and of the *Contract Documents*.
- 3.10.9 At the time of providing *Shop Drawings*, the *Contractor* shall expressly advise the *Consultant* in writing of any deviations in a *Shop Drawing* from the requirements of the *Contract Documents*. The *Consultant* shall indicate the acceptance or rejection of such deviation expressly in writing.
- 3.10.10 The *Consultant's* review shall not relieve the *Contractor* of responsibility for errors or omissions in the *Shop Drawings* or for meeting all requirements of the *Contract Documents*.
- 3.10.11 The *Contractor* shall provide revised *Shop Drawings* to correct those which the *Consultant* rejects as inconsistent with the *Contract Documents*, unless otherwise directed by the *Consultant*. The *Contractor* shall notify the *Consultant* in writing of any revisions to the *Shop Drawings* other than those requested by the *Consultant*.
- 3.10.12 The *Consultant* will review and return *Shop Drawings* in accordance with the schedule agreed upon, or, in the absence of such schedule, with reasonable promptness so as to cause no delay in the performance of the *Work*.

### **GC 3.11 USE OF THE WORK**

- 3.11.1 The *Contractor* shall confine *Construction Equipment*, *Temporary Work*, storage of *Products*, waste products and debris, and operations of employees and *Subcontractors* to limits indicated by laws, ordinances, permits, or the *Contract Documents* and shall not unreasonably encumber the *Place of the Work*.
- 3.11.2 The *Contractor* shall not load or permit to be loaded any part of the *Work* with a weight or force that will endanger the safety of the *Work*.

### **GC 3.12 CUTTING AND REMEDIAL WORK**

- 3.12.1 The *Contractor* shall perform the cutting and remedial work required to make the affected parts of the *Work* come together properly.
- 3.12.2 The *Contractor* shall co-ordinate the *Work* to ensure that the cutting and remedial work is kept to a minimum.
- 3.12.3 Should the *Owner*, the *Consultant*, other contractors or anyone employed by them be responsible for ill-timed work necessitating cutting or remedial work to be performed, the cost of such cutting or remedial work shall be valued as provided in GC 6.1 – OWNER'S RIGHT TO MAKE CHANGES, GC 6.2 - CHANGE ORDER and GC 6.3 - CHANGE DIRECTIVE.
- 3.12.4 Cutting and remedial work shall be performed by specialists familiar with the *Products* affected and shall be performed in a manner to neither damage nor endanger the *Work*.

### **GC 3.13 CLEANUP**

- 3.13.1 The *Contractor* shall maintain the *Work* in a safe and tidy condition and free from the accumulation of waste products and debris, other than that caused by the *Owner*, other contractors or their employees.
- 3.13.2 Before applying for *Substantial Performance of the Work* as provided in GC 5.4 – SUBSTANTIAL PERFORMANCE OF THE WORK, the *Contractor* shall remove waste products and debris, other than that resulting from the work of the *Owner*, other contractors or their employees, and shall leave the *Place of the Work* clean and suitable for use or occupancy by the *Owner*. The *Contractor* shall remove products, tools, *Construction Equipment*, and *Temporary Work* not required for the performance of the remaining work.
- 3.13.3 Prior to application for the final payment, the *Contractor* shall remove any remaining products, tools, *Construction Equipment*, *Temporary Work*, and waste products and debris, other than those resulting from the work of the *Owner*, other contractors or their employees.

## **PART 4 ALLOWANCES**

### **GC 4.1 CASH ALLOWANCES**

- 4.1.1 The *Contract Price* includes the cash allowances, if any, stated in the *Contract Documents*. The scope of work or costs included in such cash allowances shall be as described in the *Contract Documents*.
- 4.1.2 The *Contract Price*, and not the cash allowances, includes the *Contractor's* overhead and profit in connection with such cash allowances.
- 4.1.3 Expenditures under cash allowances shall be authorized by the *Owner* through the *Consultant*.
- 4.1.4 Where the actual cost of the *Work* under any cash allowance exceeds the amount of the allowance, the *Contractor* shall be compensated for the excess incurred and substantiated plus an amount for overhead and profit on the excess as set out in the *Contract Documents*. Where the actual cost of the *Work* under any cash allowance is less than the amount of the allowance, the *Owner* shall be credited for the unexpended portion of the cash allowance, but not for the *Contractor's* overhead and profit on such amount. Multiple cash allowances shall not be combined for the purpose of calculating the foregoing.
- 4.1.5 The *Contract Price* shall be adjusted by *Change Order* to provide for any difference between the amount of each cash allowance and the actual cost of the work under that cash allowance.
- 4.1.6 The value of the work performed under a cash allowance is eligible to be included in progress payments.
- 4.1.7 The *Contractor* and the *Consultant* shall jointly prepare a schedule that shows when the *Consultant* and *Owner* must authorize ordering of items called for under cash allowances to avoid delaying the progress of the *Work*.

## **GC 4.2 CONTINGENCY ALLOWANCE**

- 4.2.1 The *Contract Price* includes the contingency allowance, if any, stated in the *Contract Documents*.
- 4.2.2 The contingency allowance includes the *Contractor's* overhead and profit in connection with such contingency allowance.
- 4.2.3 Expenditures under the contingency allowance shall be authorized and valued as provided in GC 6.1 – OWNER'S RIGHT TO MAKE CHANGES, GC 6.2 - CHANGE ORDER and GC 6.3 - CHANGE DIRECTIVE.
- 4.2.4 The *Contract Price* shall be adjusted by *Change Order* to provide for any difference between the expenditures authorized under paragraph 4.2.3 and the contingency allowance.

## **PART 5 PAYMENT**

### **GC 5.1 FINANCING INFORMATION REQUIRED OF THE OWNER**

- 5.1.1 The *Owner* shall, at the request of the *Contractor*, before signing the *Contract*, and promptly from time to time thereafter, furnish to the *Contractor* reasonable evidence that financial arrangements have been made to fulfill the *Owner's* obligations under the *Contract*.
- 5.1.2 The *Owner* shall give the *Contractor Notice in Writing* of any material change in the *Owner's* financial arrangements to fulfill the *Owner's* obligations under the *Contract* during the performance of the *Contract*.

### **GC 5.2 APPLICATIONS FOR PROGRESS PAYMENT**

- 5.2.1 Applications for payment on account as provided in Article A-5 of the Agreement - PAYMENT may be made monthly as the *Work* progresses.
- 5.2.2 Applications for payment shall be dated the last day of each payment period, which is the last day of the month or an alternative day of the month agreed in writing by the parties.
- 5.2.3 The amount claimed shall be for the value, proportionate to the amount of the *Contract*, of *Work* performed and *Products* delivered to the *Place of the Work* as of the last day of the payment period.
- 5.2.4 The *Contractor* shall submit to the *Consultant*, at least 15 calendar days before the first application for payment, a schedule of values for the parts of the *Work*, aggregating the total amount of the *Contract Price*, so as to facilitate evaluation of applications for payment.
- 5.2.5 The schedule of values shall be made out in such form and supported by such evidence as the *Consultant* may reasonably direct and when accepted by the *Consultant*, shall be used as the basis for applications for payment, unless it is found to be in error.
- 5.2.6 The *Contractor* shall include a statement based on the schedule of values with each application for payment.
- 5.2.7 Applications for payment for *Products* delivered to the *Place of the Work* but not yet incorporated into the *Work* shall be supported by such evidence as the *Consultant* may reasonably require to establish the value and delivery of the *Products*.

### **GC 5.3 PROGRESS PAYMENT**

- 5.3.1 After receipt by the *Consultant* of an application for payment submitted by the *Contractor* in accordance with GC 5.2 - APPLICATIONS FOR PROGRESS PAYMENT:
  - .1 the *Consultant* will promptly inform the *Owner* of the date of receipt of the *Contractor's* application for payment,
  - .2 the *Consultant* will issue to the *Owner* and copy to the *Contractor*, no later than 10 calendar days after the receipt of the application for payment, a certificate for payment in the amount applied for, or in such other amount as the *Consultant* determines to be properly due. If the *Consultant* amends the application, the *Consultant* will promptly advise the *Contractor* in writing giving reasons for the amendment,
  - .3 the *Owner* shall make payment to the *Contractor* on account as provided in Article A-5 of the Agreement - PAYMENT on or before 20 calendar days after the later of:
    - receipt by the *Consultant* of the application for payment, or
    - the last day of the monthly payment period for which the application for payment is made.

#### **GC 5.4 SUBSTANTIAL PERFORMANCE OF THE WORK**

- 5.4.1 When the *Contractor* considers that the *Work* is substantially performed, or if permitted by the lien legislation applicable to the *Place of the Work* a designated portion thereof which the *Owner* agrees to accept separately is substantially performed, the *Contractor* shall, within one *Working Day*, deliver to the *Consultant* and to the *Owner* a comprehensive list of items to be completed or corrected, together with a written application for a review by the *Consultant* to establish *Substantial Performance of the Work* or substantial performance of the designated portion of the *Work*. Failure to include an item on the list does not alter the responsibility of the *Contractor* to complete the *Contract*.
- 5.4.2 The *Consultant* will review the *Work* to verify the validity of the application and shall promptly, and in any event, no later than 20 calendar days after receipt of the *Contractor's* list and application:
  - .1 advise the *Contractor* in writing that the *Work* or the designated portion of the *Work* is not substantially performed and give reasons why, or
  - .2 state the date of *Substantial Performance of the Work* or a designated portion of the *Work* in a certificate and issue a copy of that certificate to each of the *Owner* and the *Contractor*.
- 5.4.3 Immediately following the issuance of the certificate of *Substantial Performance of the Work*, the *Contractor*, in consultation with the *Consultant*, shall establish a reasonable date for finishing the *Work*.

#### **GC 5.5 PAYMENT OF HOLDBACK UPON SUBSTANTIAL PERFORMANCE OF THE WORK**

- 5.5.1 After the issuance of the certificate of *Substantial Performance of the Work*, the *Contractor* shall:
  - .1 submit an application for payment of the holdback amount,
  - .2 submit CCDC 9A 'Statutory Declaration' to state that all accounts for labour, subcontracts, *Products*, *Construction Equipment*, and other indebtedness which may have been incurred by the *Contractor* in the *Substantial Performance of the Work* and for which the *Owner* might in any way be held responsible have been paid in full, except for amounts properly retained as a holdback or as an identified amount in dispute.
- 5.5.2 After the receipt of an application for payment from the *Contractor* and the statement as provided in paragraph 5.5.1, the *Consultant* will issue a certificate for payment of the holdback amount.
- 5.5.3 Where the holdback amount required by the applicable lien legislation has not been placed in a separate holdback account, the *Owner* shall, 10 calendar days prior to the expiry of the holdback period stipulated in the lien legislation applicable to the *Place of the Work*, place the holdback amount in a bank account in the joint names of the *Owner* and the *Contractor*.
- 5.5.4 In the common law jurisdictions, the holdback amount authorized by the certificate for payment of the holdback amount is due and payable on the first calendar day following the expiration of the holdback period stipulated in the lien legislation applicable to the *Place of the Work*. Where lien legislation does not exist or apply, the holdback amount shall be due and payable in accordance with other legislation, industry practice or provisions which may be agreed to between the parties. The *Owner* may retain out of the holdback amount any sums required by law to satisfy any liens against the *Work* or, if permitted by the lien legislation applicable to the *Place of the Work*, other third party monetary claims against the *Contractor* which are enforceable against the *Owner*.
- 5.5.5 In the Province of Quebec, the holdback amount authorized by the certificate for payment of the holdback amount is due and payable 30 calendar days after the issuance of the certificate. The *Owner* may retain out of the holdback amount any sums required to satisfy any legal hypotheces that have been taken, or could be taken, against the *Work* or other third party monetary claims against the *Contractor* which are enforceable against the *Owner*.

#### **GC 5.6 PROGRESSIVE RELEASE OF HOLDBACK**

- 5.6.1 In the common law jurisdictions, where legislation permits and where, upon application by the *Contractor*, the *Consultant* has certified that the work of a *Subcontractor* or *Supplier* has been performed prior to *Substantial Performance of the Work*, the *Owner* shall pay the *Contractor* the holdback amount retained for such subcontract work, or the *Products* supplied by such *Supplier*, on the first calendar day following the expiration of the holdback period for such work stipulated in the lien legislation applicable to the *Place of the Work*. The *Owner* may retain out of the holdback amount any sums required by law to satisfy any liens against the *Work* or, if permitted by the lien legislation applicable to the *Place of the Work*, other third party monetary claims against the *Contractor* which are enforceable against the *Owner*.

- 5.6.2 In the Province of Quebec, where, upon application by the *Contractor*, the *Consultant* has certified that the work of a *Subcontractor* or *Supplier* has been performed prior to *Substantial Performance of the Work*, the *Owner* shall pay the *Contractor* the holdback amount retained for such subcontract work, or the *Products* supplied by such *Supplier*, no later than 30 calendar days after such certification by the *Consultant*. The *Owner* may retain out of the holdback amount any sums required to satisfy any legal hypothecs that have been taken, or could be taken, against the *Work* or other third party monetary claims against the *Contractor* which are enforceable against the *Owner*.
- 5.6.3 Notwithstanding the provisions of the preceding paragraphs, and notwithstanding the wording of such certificates, the *Contractor* shall ensure that such subcontract work or *Products* are protected pending the issuance of a final certificate for payment and be responsible for the correction of defects or work not performed regardless of whether or not such was apparent when such certificates were issued.

#### **GC 5.7 FINAL PAYMENT**

- 5.7.1 When the *Contractor* considers that the *Work* is completed, the *Contractor* shall submit an application for final payment.
- 5.7.2 The *Consultant* will, no later than 10 calendar days after the receipt of an application from the *Contractor* for final payment, review the *Work* to verify the validity of the application and advise the *Contractor* in writing that the application is valid or give reasons why it is not valid.
- 5.7.3 When the *Consultant* finds the *Contractor*'s application for final payment valid, the *Consultant* will promptly issue a final certificate for payment.
- 5.7.4 Subject to the provision of paragraph 10.4.1 of GC 10.4 - WORKERS' COMPENSATION, and any lien legislation applicable to the *Place of the Work*, the *Owner* shall, no later than 5 calendar days after the issuance of a final certificate for payment, pay the *Contractor* as provided in Article A-5 of the Agreement - PAYMENT.

#### **GC 5.8 WITHHOLDING OF PAYMENT**

- 5.8.1 If because of climatic or other conditions reasonably beyond the control of the *Contractor*, there are items of work that cannot be performed, payment in full for that portion of the *Work* which has been performed as certified by the *Consultant* shall not be withheld or delayed by the *Owner* on account thereof, but the *Owner* may withhold, until the remaining portion of the *Work* is finished, only such an amount that the *Consultant* determines is sufficient and reasonable to cover the cost of performing such remaining work.

#### **GC 5.9 NON-CONFORMING WORK**

- 5.9.1 No payment by the *Owner* under the *Contract* nor partial or entire use or occupancy of the *Work* by the *Owner* shall constitute an acceptance of any portion of the *Work* or *Products* which are not in accordance with the requirements of the *Contract Documents*.

### **PART 6 CHANGES IN THE WORK**

#### **GC 6.1 OWNER'S RIGHT TO MAKE CHANGES**

- 6.1.1 The *Owner*, through the *Consultant*, without invalidating the *Contract*, may make:
  - .1 changes in the *Work* consisting of additions, deletions or other revisions to the *Work* by *Change Order* or *Change Directive*, and
  - .2 changes to the *Contract Time* for the *Work*, or any part thereof, by *Change Order*.
- 6.1.2 The *Contractor* shall not perform a change in the *Work* without a *Change Order* or a *Change Directive*.

#### **GC 6.2 CHANGE ORDER**

- 6.2.1 When a change in the *Work* is proposed or required, the *Consultant* will provide the *Contractor* with a written description of the proposed change in the *Work*. The *Contractor* shall promptly present, in a form acceptable to the *Consultant*, a method of adjustment or an amount of adjustment for the *Contract Price*, if any, and the adjustment in the *Contract Time*, if any, for the proposed change in the *Work*.
- 6.2.2 When the *Owner* and *Contractor* agree to the adjustments in the *Contract Price* and *Contract Time* or to the method to be used to determine the adjustments, such agreement shall be effective immediately and shall be recorded in a *Change Order*. The value of the work performed as the result of a *Change Order* shall be included in the application for progress payment.

### **GC 6.3 CHANGE DIRECTIVE**

- 6.3.1 If the *Owner* requires the *Contractor* to proceed with a change in the *Work* prior to the *Owner* and the *Contractor* agreeing upon the corresponding adjustment in *Contract Price* and *Contract Time*, the *Owner*, through the *Consultant*, shall issue a *Change Directive*.
- 6.3.2 A *Change Directive* shall only be used to direct a change in the *Work* which is within the general scope of the *Contract Documents*.
- 6.3.3 A *Change Directive* shall not be used to direct a change in the *Contract Time* only.
- 6.3.4 Upon receipt of a *Change Directive*, the *Contractor* shall proceed promptly with the change in the *Work*.
- 6.3.5 For the purpose of valuing *Change Directives*, changes in the *Work* that are not substitutions or otherwise related to each other shall not be grouped together in the same *Change Directive*.
- 6.3.6 The adjustment in the *Contract Price* for a change carried out by way of a *Change Directive* shall be determined on the basis of the cost of the *Contractor's* actual expenditures and savings attributable to the *Change Directive*, valued in accordance with paragraph 6.3.7 and as follows:
- .1 If the change results in a net increase in the *Contractor's* cost, the *Contract Price* shall be increased by the amount of the net increase in the *Contractor's* cost, plus the *Contractor's* percentage fee on such net increase.
  - .2 If the change results in a net decrease in the *Contractor's* cost, the *Contract Price* shall be decreased by the amount of the net decrease in the *Contractor's* cost, without adjustment for the *Contractor's* percentage fee.
  - .3 The *Contractor's* fee shall be as specified in the *Contract Documents* or as otherwise agreed by the parties.
- 6.3.7 The cost of performing the work attributable to the *Change Directive* shall be limited to the actual cost of the following:
- .1 salaries, wages and benefits paid to personnel in the direct employ of the *Contractor* under a salary or wage schedule agreed upon by the *Owner* and the *Contractor*, or in the absence of such a schedule, actual salaries, wages and benefits paid under applicable bargaining agreement, and in the absence of a salary or wage schedule and bargaining agreement, actual salaries, wages and benefits paid by the *Contractor*, for personnel
    - (1) stationed at the *Contractor's* field office, in whatever capacity employed;
    - (2) engaged in expediting the production or transportation of material or equipment, at shops or on the road;
    - (3) engaged in the preparation or review of *Shop Drawings*, fabrication drawings, and coordination drawings; or
    - (4) engaged in the processing of changes in the *Work*.
  - .2 contributions, assessments or taxes incurred for such items as employment insurance, provincial or territorial health insurance, workers' compensation, and Canada or Quebec Pension Plan, insofar as such cost is based on wages, salaries or other remuneration paid to employees of the *Contractor* and included in the cost of the *Work* as provided in paragraph 6.3.7.1;
  - .3 travel and subsistence expenses of the *Contractor's* personnel described in paragraph 6.3.7.1;
  - .4 all *Products* including cost of transportation thereof;
  - .5 materials, supplies, *Construction Equipment*, *Temporary Work*, and hand tools not owned by the workers, including transportation and maintenance thereof, which are consumed in the performance of the *Work*; and cost less salvage value on such items used but not consumed, which remain the property of the *Contractor*;
  - .6 all tools and *Construction Equipment*, exclusive of hand tools used in the performance of the *Work*, whether rented from or provided by the *Contractor* or others, including installation, minor repairs and replacements, dismantling, removal, transportation, and delivery cost thereof;
  - .7 all equipment and services required for the *Contractor's* field office;
  - .8 deposits lost;
  - .9 the amounts of all subcontracts;
  - .10 quality assurance such as independent inspection and testing services;
  - .11 charges levied by authorities having jurisdiction at the *Place of the Work*;
  - .12 royalties, patent licence fees and damages for infringement of patents and cost of defending suits therefor subject always to the *Contractor's* obligations to indemnify the *Owner* as provided in paragraph 10.3.1 of GC 10.3 - PATENT FEES;
  - .13 any adjustment in premiums for all bonds and insurance which the *Contractor* is required, by the *Contract Documents*, to purchase and maintain;
  - .14 any adjustment in taxes, other than *Value Added Taxes*, and duties for which the *Contractor* is liable;
  - .15 charges for long distance telephone and facsimile communications, courier services, expressage, and petty cash items incurred in relation to the performance of the *Work*;
  - .16 removal and disposal of waste products and debris; and
  - .17 safety measures and requirements.

- 6.3.8 Notwithstanding any other provisions contained in the General Conditions of the *Contract*, it is the intention of the parties that the cost of any item under any cost element referred to in paragraph 6.3.7 shall cover and include any and all costs or liabilities attributable to the *Change Directive* other than those which are the result of or occasioned by any failure on the part of the *Contractor* to exercise reasonable care and diligence in the *Contractor's* attention to the *Work*. Any cost due to failure on the part of the *Contractor* to exercise reasonable care and diligence in the *Contractor's* attention to the *Work* shall be borne by the *Contractor*.
- 6.3.9 The *Contractor* shall keep full and detailed accounts and records necessary for the documentation of the cost of performing the *Work* attributable to the *Change Directive* and shall provide the *Consultant* with copies thereof when requested.
- 6.3.10 For the purpose of valuing *Change Directives*, the *Owner* shall be afforded reasonable access to all of the *Contractor's* pertinent documents related to the cost of performing the *Work* attributable to the *Change Directive*.
- 6.3.11 Pending determination of the final amount of a *Change Directive*, the undisputed value of the *Work* performed as the result of a *Change Directive* is eligible to be included in progress payments.
- 6.3.12 If the *Owner* and the *Contractor* do not agree on the proposed adjustment in the *Contract Time* attributable to the change in the *Work*, or the method of determining it, the adjustment shall be referred to the *Consultant* for determination.
- 6.3.13 When the *Owner* and the *Contractor* reach agreement on the adjustment to the *Contract Price* and to the *Contract Time*, this agreement shall be recorded in a *Change Order*.

#### **GC 6.4 CONCEALED OR UNKNOWN CONDITIONS**

- 6.4.1 If the *Owner* or the *Contractor* discover conditions at the *Place of the Work* which are:
  - .1 subsurface or otherwise concealed physical conditions which existed before the commencement of the *Work* which differ materially from those indicated in the *Contract Documents*; or
  - .2 physical conditions, other than conditions due to weather, that are of a nature which differ materially from those ordinarily found to exist and generally recognized as inherent in construction activities of the character provided for in the *Contract Documents*,
 then the observing party shall give *Notice in Writing* to the other party of such conditions before they are disturbed and in no event later than 5 *Working Days* after first observance of the conditions.
- 6.4.2 The *Consultant* will promptly investigate such conditions and make a finding. If the finding is that the conditions differ materially and this would cause an increase or decrease in the *Contractor's* cost or time to perform the *Work*, the *Consultant*, with the *Owner's* approval, will issue appropriate instructions for a change in the *Work* as provided in GC 6.2 - CHANGE ORDER or GC 6.3 - CHANGE DIRECTIVE.
- 6.4.3 If the *Consultant* finds that the conditions at the *Place of the Work* are not materially different or that no change in the *Contract Price* or the *Contract Time* is justified, the *Consultant* will report the reasons for this finding to the *Owner* and the *Contractor* in writing.
- 6.4.4 If such concealed or unknown conditions relate to toxic and hazardous substances and materials, artifacts and fossils, or mould, the parties will be governed by the provisions of GC 9.2 - TOXIC AND HAZARDOUS SUBSTANCES, GC 9.3 - ARTIFACTS AND FOSSILS and GC 9.5 - MOULD.

#### **GC 6.5 DELAYS**

- 6.5.1 If the *Contractor* is delayed in the performance of the *Work* by an action or omission of the *Owner*, *Consultant* or anyone employed or engaged by them directly or indirectly, contrary to the provisions of the *Contract Documents*, then the *Contract Time* shall be extended for such reasonable time as the *Consultant* may recommend in consultation with the *Contractor*. The *Contractor* shall be reimbursed by the *Owner* for reasonable costs incurred by the *Contractor* as the result of such delay.
- 6.5.2 If the *Contractor* is delayed in the performance of the *Work* by a stop work order issued by a court or other public authority and providing that such order was not issued as the result of an act or fault of the *Contractor* or any person employed or engaged by the *Contractor* directly or indirectly, then the *Contract Time* shall be extended for such reasonable time as the *Consultant* may recommend in consultation with the *Contractor*. The *Contractor* shall be reimbursed by the *Owner* for reasonable costs incurred by the *Contractor* as the result of such delay.

- 6.5.3 If the *Contractor* is delayed in the performance of the *Work* by:
- .1 labour disputes, strikes, lock-outs (including lock-outs decreed or recommended for its members by a recognized contractors' association, of which the *Contractor* is a member or to which the *Contractor* is otherwise bound),
  - .2 fire, unusual delay by common carriers or unavoidable casualties,
  - .3 abnormally adverse weather conditions, or
  - .4 any cause beyond the *Contractor's* control other than one resulting from a default or breach of *Contract* by the *Contractor*,
- then the *Contract Time* shall be extended for such reasonable time as the *Consultant* may recommend in consultation with the *Contractor*. The extension of time shall not be less than the time lost as the result of the event causing the delay, unless the *Contractor* agrees to a shorter extension. The *Contractor* shall not be entitled to payment for costs incurred by such delays unless such delays result from actions by the *Owner*, *Consultant* or anyone employed or engaged by them directly or indirectly.
- 6.5.4 No extension shall be made for delay unless *Notice in Writing* of the cause of delay is given to the *Consultant* not later than 10 *Working Days* after the commencement of the delay. In the case of a continuing cause of delay only one *Notice in Writing* shall be necessary.
- 6.5.5 If no schedule is made under paragraph 2.2.13 of GC 2.2 - ROLE OF THE CONSULTANT, then no request for extension shall be made because of failure of the *Consultant* to furnish instructions until 10 *Working Days* after demand for such instructions has been made.

## **GC 6.6 CLAIMS FOR A CHANGE IN CONTRACT PRICE**

- 6.6.1 If the *Contractor* intends to make a claim for an increase to the *Contract Price*, or if the *Owner* intends to make a claim against the *Contractor* for a credit to the *Contract Price*, the party that intends to make the claim shall give timely *Notice in Writing* of intent to claim to the other party and to the *Consultant*.
- 6.6.2 Upon commencement of the event or series of events giving rise to a claim, the party intending to make the claim shall:
- .1 take all reasonable measures to mitigate any loss or expense which may be incurred as a result of such event or series of events, and
  - .2 keep such records as may be necessary to support the claim.
- 6.6.3 The party making the claim shall submit within a reasonable time to the *Consultant* a detailed account of the amount claimed and the grounds upon which the claim is based.
- 6.6.4 Where the event or series of events giving rise to the claim has a continuing effect, the detailed account submitted under paragraph 6.6.3 shall be considered to be an interim account and the party making the claim shall, at such intervals as the *Consultant* may reasonably require, submit further interim accounts giving the accumulated amount of the claim and any further grounds upon which it is based. The party making the claim shall submit a final account after the end of the effects resulting from the event or series of events.
- 6.6.5 The *Consultant's* findings, with respect to a claim made by either party, will be given by *Notice in Writing* to both parties within 30 *Working Days* after receipt of the claim by the *Consultant*, or within such other time period as may be agreed by the parties.
- 6.6.6 If such finding is not acceptable to either party, the claim shall be settled in accordance with Part 8 of the General Conditions - DISPUTE RESOLUTION.

## **PART 7 DEFAULT NOTICE**

### **GC 7.1 OWNER'S RIGHT TO PERFORM THE WORK, TERMINATE THE CONTRACTOR'S RIGHT TO CONTINUE WITH THE WORK OR TERMINATE THE CONTRACT**

- 7.1.1 If the *Contractor* is adjudged bankrupt, or makes a general assignment for the benefit of creditors because of the *Contractor's* insolvency, or if a receiver is appointed because of the *Contractor's* insolvency, the *Owner* may, without prejudice to any other right or remedy the *Owner* may have, terminate the *Contractor's* right to continue with the *Work*, by giving the *Contractor* or receiver or trustee in bankruptcy *Notice in Writing* to that effect.
- 7.1.2 If the *Contractor* neglects to prosecute the *Work* properly or otherwise fails to comply with the requirements of the *Contract* to a substantial degree and if the *Consultant* has given a written statement to the *Owner* and *Contractor* that sufficient cause exists to justify such action, the *Owner* may, without prejudice to any other right or remedy the *Owner* may have, give the *Contractor* *Notice in Writing* that the *Contractor* is in default of the *Contractor's* contractual obligations and instruct the *Contractor* to correct the default in the 5 *Working Days* immediately following the receipt of such *Notice in Writing*.

- 7.1.3 If the default cannot be corrected in the 5 *Working Days* specified or in such other time period as may be subsequently agreed in writing by the parties, the *Contractor* shall be in compliance with the *Owner's* instructions if the *Contractor*:
- .1 commences the correction of the default within the specified time, and
  - .2 provides the *Owner* with an acceptable schedule for such correction, and
  - .3 corrects the default in accordance with the *Contract* terms and with such schedule.
- 7.1.4 If the *Contractor* fails to correct the default in the time specified or in such other time period as may be subsequently agreed in writing by the parties, without prejudice to any other right or remedy the *Owner* may have, the *Owner* may:
- .1 correct such default and deduct the cost thereof from any payment then or thereafter due the *Contractor* provided the *Consultant* has certified such cost to the *Owner* and the *Contractor*, or
  - .2 terminate the *Contractor's* right to continue with the *Work* in whole or in part or terminate the *Contract*.
- 7.1.5 If the *Owner* terminates the *Contractor's* right to continue with the *Work* as provided in paragraphs 7.1.1 and 7.1.4, the *Owner* shall be entitled to:
- .1 take possession of the *Work* and *Products* at the *Place of the Work*; subject to the rights of third parties, utilize the *Construction Equipment* at the *Place of the Work*; finish the *Work* by whatever method the *Owner* may consider expedient, but without undue delay or expense, and
  - .2 withhold further payment to the *Contractor* until a final certificate for payment is issued, and
  - .3 charge the *Contractor* the amount by which the full cost of finishing the *Work* as certified by the *Consultant*, including compensation to the *Consultant* for the *Consultant's* additional services and a reasonable allowance as determined by the *Consultant* to cover the cost of corrections to work performed by the *Contractor* that may be required under GC 12.3 - WARRANTY, exceeds the unpaid balance of the *Contract Price*; however, if such cost of finishing the *Work* is less than the unpaid balance of the *Contract Price*, the *Owner* shall pay the *Contractor* the difference, and
  - .4 on expiry of the warranty period, charge the *Contractor* the amount by which the cost of corrections to the *Contractor's* work under GC 12.3 - WARRANTY exceeds the allowance provided for such corrections, or if the cost of such corrections is less than the allowance, pay the *Contractor* the difference.
- 7.1.6 The *Contractor's* obligation under the *Contract* as to quality, correction and warranty of the work performed by the *Contractor* up to the time of termination shall continue after such termination of the *Contract*.

## **GC 7.2 CONTRACTOR'S RIGHT TO SUSPEND THE WORK OR TERMINATE THE CONTRACT**

- 7.2.1 If the *Owner* is adjudged bankrupt, or makes a general assignment for the benefit of creditors because of the *Owner's* insolvency, or if a receiver is appointed because of the *Owner's* insolvency, the *Contractor* may, without prejudice to any other right or remedy the *Contractor* may have, terminate the *Contract* by giving the *Owner* or receiver or trustee in bankruptcy *Notice in Writing* to that effect.
- 7.2.2 If the *Work* is suspended or otherwise delayed for a period of 20 *Working Days* or more under an order of a court or other public authority and providing that such order was not issued as the result of an act or fault of the *Contractor* or of anyone directly or indirectly employed or engaged by the *Contractor*, the *Contractor* may, without prejudice to any other right or remedy the *Contractor* may have, terminate the *Contract* by giving the *Owner* *Notice in Writing* to that effect.
- 7.2.3 The *Contractor* may give *Notice in Writing* to the *Owner*, with a copy to the *Consultant*, that the *Owner* is in default of the *Owner's* contractual obligations if:
- .1 the *Owner* fails to furnish, when so requested by the *Contractor*, reasonable evidence that financial arrangements have been made to fulfill the *Owner's* obligations under the *Contract*, or
  - .2 the *Consultant* fails to issue a certificate as provided in GC 5.3 - PROGRESS PAYMENT, or
  - .3 the *Owner* fails to pay the *Contractor* when due the amounts certified by the *Consultant* or awarded by arbitration or court, or
  - .4 the *Owner* violates the requirements of the *Contract* to a substantial degree and the *Consultant*, except for GC 5.1 - FINANCING INFORMATION REQUIRED OF THE OWNER, confirms by written statement to the *Contractor* that sufficient cause exists.
- 7.2.4 The *Contractor's* *Notice in Writing* to the *Owner* provided under paragraph 7.2.3 shall advise that if the default is not corrected within 5 *Working Days* following the receipt of the *Notice in Writing*, the *Contractor* may, without prejudice to any other right or remedy the *Contractor* may have, suspend the *Work* or terminate the *Contract*.
- 7.2.5 If the *Contractor* terminates the *Contract* under the conditions set out above, the *Contractor* shall be entitled to be paid for all work performed including reasonable profit, for loss sustained upon *Products* and *Construction Equipment*, and such other damages as the *Contractor* may have sustained as a result of the termination of the *Contract*.

## PART 8 DISPUTE RESOLUTION

### GC 8.1 AUTHORITY OF THE CONSULTANT

- 8.1.1 Differences between the parties to the *Contract* as to the interpretation, application or administration of the *Contract* or any failure to agree where agreement between the parties is called for, herein collectively called disputes, which are not resolved in the first instance by findings of the *Consultant* as provided in GC 2.2 - ROLE OF THE CONSULTANT, shall be settled in accordance with the requirements of Part 8 of the General Conditions - DISPUTE RESOLUTION.
- 8.1.2 If a dispute arises under the *Contract* in respect of a matter in which the *Consultant* has no authority under the *Contract* to make a finding, the procedures set out in paragraph 8.1.3 and paragraphs 8.2.3 to 8.2.8 of GC 8.2 - NEGOTIATION, MEDIATION AND ARBITRATION, and in GC 8.3 - RETENTION OF RIGHTS apply to that dispute with the necessary changes to detail as may be required.
- 8.1.3 If a dispute is not resolved promptly, the *Consultant* will give such instructions as in the *Consultant's* opinion are necessary for the proper performance of the *Work* and to prevent delays pending settlement of the dispute. The parties shall act immediately according to such instructions, it being understood that by so doing neither party will jeopardize any claim the party may have. If it is subsequently determined that such instructions were in error or at variance with the *Contract Documents*, the *Owner* shall pay the *Contractor* costs incurred by the *Contractor* in carrying out such instructions which the *Contractor* was required to do beyond what the *Contract Documents* correctly understood and interpreted would have required, including costs resulting from interruption of the *Work*.

### GC 8.2 NEGOTIATION, MEDIATION AND ARBITRATION

- 8.2.1 In accordance with the Rules for Mediation of Construction Disputes as provided in CCDC 40 in effect at the time of bid closing, the parties shall appoint a Project Mediator
  - .1 within 20 *Working Days* after the *Contract* was awarded, or
  - .2 if the parties neglected to make an appointment within the 20 *Working Days*, within 10 *Working Days* after either party by *Notice in Writing* requests that the Project Mediator be appointed.
- 8.2.2 A party shall be conclusively deemed to have accepted a finding of the *Consultant* under GC 2.2 - ROLE OF THE CONSULTANT and to have expressly waived and released the other party from any claims in respect of the particular matter dealt with in that finding unless, within 15 *Working Days* after receipt of that finding, the party sends a *Notice in Writing* of dispute to the other party and to the *Consultant*, which contains the particulars of the matter in dispute and the relevant provisions of the *Contract Documents*. The responding party shall send a *Notice in Writing* of reply to the dispute within 10 *Working Days* after receipt of such *Notice in Writing* setting out particulars of this response and any relevant provisions of the *Contract Documents*.
- 8.2.3 The parties shall make all reasonable efforts to resolve their dispute by amicable negotiations and agree to provide, without prejudice, frank, candid and timely disclosure of relevant facts, information and documents to facilitate these negotiations.
- 8.2.4 After a period of 10 *Working Days* following receipt of a responding party's *Notice in Writing* of reply under paragraph 8.2.2, the parties shall request the Project Mediator to assist the parties to reach agreement on any unresolved dispute. The mediated negotiations shall be conducted in accordance with the Rules for Mediation of Construction Disputes as provided in CCDC 40 in effect at the time of bid closing.
- 8.2.5 If the dispute has not been resolved within 10 *Working Days* after the Project Mediator was requested under paragraph 8.2.4 or within such further period agreed by the parties, the Project Mediator shall terminate the mediated negotiations by giving *Notice in Writing* to the *Owner*, the *Contractor* and the *Consultant*.
- 8.2.6 By giving a *Notice in Writing* to the other party and the *Consultant*, not later than 10 *Working Days* after the date of termination of the mediated negotiations under paragraph 8.2.5, either party may refer the dispute to be finally resolved by arbitration under the Rules for Arbitration of Construction Disputes as provided in CCDC 40 in effect at the time of bid closing. The arbitration shall be conducted in the jurisdiction of the *Place of the Work*.
- 8.2.7 On expiration of the 10 *Working Days*, the arbitration agreement under paragraph 8.2.6 is not binding on the parties and, if a *Notice in Writing* is not given under paragraph 8.2.6 within the required time, the parties may refer the unresolved dispute to the courts or to any other form of dispute resolution, including arbitration, which they have agreed to use.

- 8.2.8 If neither party, by *Notice in Writing*, given within 10 *Working Days* of the date of *Notice in Writing* requesting arbitration in paragraph 8.2.6, requires that a dispute be arbitrated immediately, all disputes referred to arbitration as provided in paragraph 8.2.6 shall be
- .1 held in abeyance until
    - (1) *Substantial Performance of the Work*,
    - (2) the *Contract* has been terminated, or
    - (3) the *Contractor* has abandoned the *Work*,
 whichever is earlier; and
  - .2 consolidated into a single arbitration under the rules governing the arbitration under paragraph 8.2.6.

### **GC 8.3 RETENTION OF RIGHTS**

- 8.3.1 It is agreed that no act by either party shall be construed as a renunciation or waiver of any rights or recourses, provided the party has given the *Notice in Writing* required under Part 8 of the General Conditions - DISPUTE RESOLUTION and has carried out the instructions as provided in paragraph 8.1.3 of GC 8.1 – AUTHORITY OF THE CONSULTANT.
- 8.3.2 Nothing in Part 8 of the General Conditions - DISPUTE RESOLUTION shall be construed in any way to limit a party from asserting any statutory right to a lien under applicable lien legislation of the jurisdiction of the *Place of the Work* and the assertion of such right by initiating judicial proceedings is not to be construed as a waiver of any right that party may have under paragraph 8.2.6 of GC 8.2 – NEGOTIATION, MEDIATION AND ARBITRATION to proceed by way of arbitration to adjudicate the merits of the claim upon which such a lien is based.

## **PART 9 PROTECTION OF PERSONS AND PROPERTY**

### **GC 9.1 PROTECTION OF WORK AND PROPERTY**

- 9.1.1 The *Contractor* shall protect the *Work* and the *Owner's* property and property adjacent to the *Place of the Work* from damage which may arise as the result of the *Contractor's* operations under the *Contract*, and shall be responsible for such damage, except damage which occurs as the result of:
- .1 errors in the *Contract Documents*;
  - .2 acts or omissions by the *Owner*, the *Consultant*, other contractors, their agents and employees.
- 9.1.2 Before commencing any work, the *Contractor* shall determine the location of all underground utilities and structures indicated in the *Contract Documents* or that are reasonably apparent in an inspection of the *Place of the Work*.
- 9.1.3 Should the *Contractor* in the performance of the *Contract* damage the *Work*, the *Owner's* property or property adjacent to the *Place of the Work*, the *Contractor* shall be responsible for making good such damage at the *Contractor's* expense.
- 9.1.4 Should damage occur to the *Work* or *Owner's* property for which the *Contractor* is not responsible, as provided in paragraph 9.1.1, the *Contractor* shall make good such damage to the *Work* and, if the *Owner* so directs, to the *Owner's* property. The *Contract Price* and *Contract Time* shall be adjusted as provided in GC 6.1 – OWNER'S RIGHT TO MAKE CHANGES, GC 6.2 - CHANGE ORDER and GC 6.3 - CHANGE DIRECTIVE.

### **GC 9.2 TOXIC AND HAZARDOUS SUBSTANCES**

- 9.2.1 For the purposes of applicable legislation related to toxic and hazardous substances, the *Owner* shall be deemed to have control and management of the *Place of the Work* with respect to existing conditions.
- 9.2.2 Prior to the *Contractor* commencing the *Work*, the *Owner* shall,
- .1 take all reasonable steps to determine whether any toxic or hazardous substances are present at the *Place of the Work*, and
  - .2 provide the *Consultant* and the *Contractor* with a written list of any such substances that are known to exist and their locations.
- 9.2.3 The *Owner* shall take all reasonable steps to ensure that no person's exposure to any toxic or hazardous substances exceeds the time weighted levels prescribed by applicable legislation at the *Place of the Work* and that no property is damaged or destroyed as a result of exposure to, or the presence of, toxic or hazardous substances which were at the *Place of the Work* prior to the *Contractor* commencing the *Work*.
- 9.2.4 Unless the *Contract* expressly provides otherwise, the *Owner* shall be responsible for taking all necessary steps, in accordance with applicable legislation in force at the *Place of the Work*, to dispose of, store or otherwise render harmless toxic or hazardous substances which were present at the *Place of the Work* prior to the *Contractor* commencing the *Work*.

- 9.2.5 If the *Contractor*
- .1 encounters toxic or hazardous substances at the *Place of the Work*, or
  - .2 has reasonable grounds to believe that toxic or hazardous substances are present at the *Place of the Work*, which were not brought to the *Place of the Work* by the *Contractor* or anyone for whom the *Contractor* is responsible and which were not disclosed by the *Owner* or which were disclosed but have not been dealt with as required under paragraph 9.2.4, the *Contractor* shall
  - .3 take all reasonable steps, including stopping the *Work*, to ensure that no person's exposure to any toxic or hazardous substances exceeds any applicable time weighted levels prescribed by applicable legislation at the *Place of the Work*, and
  - .4 immediately report the circumstances to the *Consultant* and the *Owner* in writing.
- 9.2.6 If the *Owner* and *Contractor* do not agree on the existence, significance of, or whether the toxic or hazardous substances were brought onto the *Place of the Work* by the *Contractor* or anyone for whom the *Contractor* is responsible, the *Owner* shall retain and pay for an independent qualified expert to investigate and determine such matters. The expert's report shall be delivered to the *Owner* and the *Contractor*.
- 9.2.7 If the *Owner* and *Contractor* agree or if the expert referred to in paragraph 9.2.6 determines that the toxic or hazardous substances were not brought onto the place of the *Work* by the *Contractor* or anyone for whom the *Contractor* is responsible, the *Owner* shall promptly at the *Owner*'s own expense:
- .1 take all steps as required under paragraph 9.2.4;
  - .2 reimburse the *Contractor* for the costs of all steps taken pursuant to paragraph 9.2.5;
  - .3 extend the *Contract* time for such reasonable time as the *Consultant* may recommend in consultation with the *Contractor* and the expert referred to in 9.2.6 and reimburse the *Contractor* for reasonable costs incurred as a result of the delay; and
  - .4 indemnify the *Contractor* as required by GC 12.1 - INDEMNIFICATION.
- 9.2.8 If the *Owner* and *Contractor* agree or if the expert referred to in paragraph 9.2.6 determines that the toxic or hazardous substances were brought onto the place of the *Work* by the *Contractor* or anyone for whom the *Contractor* is responsible, the *Contractor* shall promptly at the *Contractor*'s own expense:
- .1 take all necessary steps, in accordance with applicable legislation in force at the *Place of the Work*, to safely remove and dispose the toxic or hazardous substances;
  - .2 make good any damage to the *Work*, the *Owner*'s property or property adjacent to the place of the *Work* as provided in paragraph 9.1.3 of GC 9.1 – PROTECTION OF WORK AND PROPERTY;
  - .3 reimburse the *Owner* for reasonable costs incurred under paragraph 9.2.6; and
  - .4 indemnify the *Owner* as required by GC 12.1 - INDEMNIFICATION.
- 9.2.9 If either party does not accept the expert's findings under paragraph 9.2.6, the disagreement shall be settled in accordance with Part 8 of the General Conditions - Dispute Resolution. If such disagreement is not resolved promptly, the parties shall act immediately in accordance with the expert's determination and take the steps required by paragraph 9.2.7 or 9.2.8 it being understood that by so doing, neither party will jeopardize any claim that party may have to be reimbursed as provided by GC 9.2 – TOXIC AND HAZARDOUS SUBSTANCES.

### **GC 9.3 ARTIFACTS AND FOSSILS**

- 9.3.1 Fossils, coins, articles of value or antiquity, structures and other remains or things of scientific or historic interest discovered at the *Place of Work* shall, as between the *Owner* and the *Contractor*, be deemed to be the absolute property of the *Owner*.
- 9.3.2 The *Contractor* shall take all reasonable precautions to prevent removal or damage to discoveries as identified in paragraph 9.3.1, and shall advise the *Consultant* upon discovery of such items.
- 9.3.3 The *Consultant* will investigate the impact on the *Work* of the discoveries identified in paragraph 9.3.1. If conditions are found that would cause an increase or decrease in the *Contractor*'s cost or time to perform the *Work*, the *Consultant*, with the *Owner*'s approval, will issue appropriate instructions for a change in the *Work* as provided in GC 6.2 - CHANGE ORDER or GC 6.3 CHANGE DIRECTIVE.

### **GC 9.4 CONSTRUCTION SAFETY**

- 9.4.1 Subject to paragraph 3.2.2.2 of GC 3.2 - CONSTRUCTION BY OWNER OR OTHER CONTRACTORS, the *Contractor* shall be solely responsible for construction safety at the *Place of the Work* and for compliance with the rules, regulations and practices required by the applicable construction health and safety legislation and shall be responsible for initiating, maintaining and supervising all safety precautions and programs in connection with the performance of the *Work*.

## **GC 9.5 MOULD**

- 9.5.1 If the *Contractor* or *Owner* observes or reasonably suspects the presence of mould at the *Place of the Work*, the remediation of which is not expressly part of the *Work*,
- .1 the observing party shall promptly report the circumstances to the other party in writing, and
  - .2 the *Contractor* shall promptly take all reasonable steps, including stopping the *Work* if necessary, to ensure that no person suffers injury, sickness or death and that no property is damaged as a result of exposure to or the presence of the mould, and
  - .3 if the *Owner* and *Contractor* do not agree on the existence, significance or cause of the mould or as to what steps need be taken to deal with it, the *Owner* shall retain and pay for an independent qualified expert to investigate and determine such matters. The expert's report shall be delivered to the *Owner* and *Contractor*.
- 9.5.2 If the *Owner* and *Contractor* agree, or if the expert referred to in paragraph 9.5.1.3 determines that the presence of mould was caused by the *Contractor*'s operations under the *Contract*, the *Contractor* shall promptly, at the *Contractor*'s own expense:
- .1 take all reasonable and necessary steps to safely remediate or dispose of the mould, and
  - .2 make good any damage to the *Work*, the *Owner*'s property or property adjacent to the *Place of the Work* as provided in paragraph 9.1.3 of GC 9.1 - PROTECTION OF WORK AND PROPERTY, and
  - .3 reimburse the *Owner* for reasonable costs incurred under paragraph 9.5.1.3, and
  - .4 indemnify the *Owner* as required by GC 12.1 - INDEMNIFICATION.
- 9.5.3 If the *Owner* and *Contractor* agree, or if the expert referred to in paragraph 9.5.1.3 determines that the presence of mould was not caused by the *Contractor*'s operations under the *Contract*, the *Owner* shall promptly, at the *Owner*'s own expense:
- .1 take all reasonable and necessary steps to safely remediate or dispose of the mould, and
  - .2 reimburse the *Contractor* for the cost of taking the steps under paragraph 9.5.1.2 and making good any damage to the *Work* as provided in paragraph 9.1.4 of GC 9.1 - PROTECTION OF WORK AND PROPERTY, and
  - .3 extend the *Contract Time* for such reasonable time as the *Consultant* may recommend in consultation with the *Contractor* and the expert referred to in paragraph 9.5.1.3 and reimburse the *Contractor* for reasonable costs incurred as a result of the delay, and
  - .4 indemnify the *Contractor* as required by GC 12.1 - INDEMNIFICATION.
- 9.5.4 If either party does not accept the expert's finding under paragraph 9.5.1.3, the disagreement shall be settled in accordance with Part 8 of the General Conditions - DISPUTE RESOLUTION. If such disagreement is not resolved promptly, the parties shall act immediately in accordance with the expert's determination and take the steps required by paragraphs 9.5.2 or 9.5.3, it being understood that by so doing neither party will jeopardize any claim the party may have to be reimbursed as provided by GC 9.5 - MOULD.

## **PART 10 GOVERNING REGULATIONS**

### **GC 10.1 TAXES AND DUTIES**

- 10.1.1 The *Contract Price* shall include all taxes and customs duties in effect at the time of the bid closing except for *Value Added Taxes* payable by the *Owner* to the *Contractor* as stipulated in Article A-4 of the Agreement - CONTRACT PRICE.
- 10.1.2 Any increase or decrease in costs to the *Contractor* due to changes in such included taxes and duties after the time of the bid closing shall increase or decrease the *Contract Price* accordingly.

### **GC 10.2 LAWS, NOTICES, PERMITS, AND FEES**

- 10.2.1 The laws of the *Place of the Work* shall govern the *Work*.
- 10.2.2 The *Owner* shall obtain and pay for development approvals, building permit, permanent easements, rights of servitude, and all other necessary approvals and permits, except for the permits and fees referred to in paragraph 10.2.3 or for which the *Contract Documents* specify as the responsibility of the *Contractor*.
- 10.2.3 The *Contractor* shall be responsible for the procurement of permits, licences, inspections, and certificates, which are necessary for the performance of the *Work* and customarily obtained by contractors in the jurisdiction of the *Place of the Work* after the issuance of the building permit. The *Contract Price* includes the cost of these permits, licences, inspections, and certificates, and their procurement.
- 10.2.4 The *Contractor* shall give the required notices and comply with the laws, ordinances, rules, regulations, or codes which are or become in force during the performance of the *Work* and which relate to the *Work*, to the preservation of the public health, and to construction safety.

- 10.2.5 The *Contractor* shall not be responsible for verifying that the *Contract Documents* are in compliance with the applicable laws, ordinances, rules, regulations, or codes relating to the *Work*. If the *Contract Documents* are at variance therewith, or if, subsequent to the time of bid closing, changes are made to the applicable laws, ordinances, rules, regulations, or codes which require modification to the *Contract Documents*, the *Contractor* shall advise the *Consultant* in writing requesting direction immediately upon such variance or change becoming known. The *Consultant* will make the changes required to the *Contract Documents* as provided in GC 6.1 - OWNER'S RIGHT TO MAKE CHANGES, GC 6.2 - CHANGE ORDER and GC 6.3 - CHANGE DIRECTIVE.
- 10.2.6 If the *Contractor* fails to advise the *Consultant* in writing; and fails to obtain direction as required in paragraph 10.2.5; and performs work knowing it to be contrary to any laws, ordinances, rules, regulations, or codes; the *Contractor* shall be responsible for and shall correct the violations thereof; and shall bear the costs, expenses and damages attributable to the failure to comply with the provisions of such laws, ordinances, rules, regulations, or codes.
- 10.2.7 If, subsequent to the time of bid closing, changes are made to applicable laws, ordinances, rules, regulations, or codes of authorities having jurisdiction which affect the cost of the *Work*, either party may submit a claim in accordance with the requirements of GC 6.6 – CLAIMS FOR A CHANGE IN CONTRACT PRICE.

#### **GC 10.3 PATENT FEES**

- 10.3.1 The *Contractor* shall pay the royalties and patent licence fees required for the performance of the *Contract*. The *Contractor* shall hold the *Owner* harmless from and against claims, demands, losses, costs, damages, actions, suits, or proceedings arising out of the *Contractor's* performance of the *Contract* which are attributable to an infringement or an alleged infringement of a patent of invention by the *Contractor* or anyone for whose acts the *Contractor* may be liable.
- 10.3.2 The *Owner* shall hold the *Contractor* harmless against claims, demands, losses, costs, damages, actions, suits, or proceedings arising out of the *Contractor's* performance of the *Contract* which are attributable to an infringement or an alleged infringement of a patent of invention in executing anything for the purpose of the *Contract*, the model, plan or design of which was supplied to the *Contractor* as part of the *Contract Documents*.

#### **GC 10.4 WORKERS' COMPENSATION**

- 10.4.1 Prior to commencing the *Work*, again with the *Contractor's* application for payment of the holdback amount following *Substantial Performance of the Work* and again with the *Contractor's* application for final payment, the *Contractor* shall provide evidence of compliance with workers' compensation legislation at the *Place of the Work*, including payments due thereunder.
- 10.4.2 At any time during the term of the *Contract*, when requested by the *Owner*, the *Contractor* shall provide such evidence of compliance by the *Contractor* and *Subcontractors*.

### **PART 11 INSURANCE AND CONTRACT SECURITY**

#### **GC 11.1 INSURANCE**

- 11.1.1 Without restricting the generality of GC 12.1 - INDEMNIFICATION, the *Contractor* shall provide, maintain and pay for the following insurance coverages, the minimum requirements of which are specified in CCDC 41 – CCDC Insurance Requirements in effect at the time of bid closing except as hereinafter provided:

- .1 General liability insurance in the name of the *Contractor* and include, or in the case of a single, blanket policy, be endorsed to name, the *Owner* and the *Consultant* as insureds but only with respect to liability, other than legal liability arising out of their sole negligence, arising out of the operations of the *Contractor* with regard to the *Work*. General liability insurance shall be maintained from the date of commencement of the *Work* until one year from the date of *Substantial Performance of the Work*. Liability coverage shall be provided for completed operations hazards from the date of *Substantial Performance of the Work*, as set out in the certificate of *Substantial Performance of the Work*, on an ongoing basis for a period of 6 years following *Substantial Performance of the Work*.
- .2 Automobile Liability Insurance from the date of commencement of the *Work* until one year after the date of *Substantial Performance of the Work*.
- .3 Aircraft or Watercraft Liability Insurance when owned or non-owned aircraft or watercraft are used directly or indirectly in the performance of the *Work*.
- .4 "Broad form" property insurance in the joint names of the *Contractor*, the *Owner* and the *Consultant*. The policy shall include as insureds all *Subcontractors*. The "Broad form" property insurance shall be provided from the date of commencement of the *Work* until the earliest of:
  - (1) 10 calendar days after the date of *Substantial Performance of the Work*;

- (2) on the commencement of use or occupancy of any part or section of the *Work* unless such use or occupancy is for construction purposes, habitational, office, banking, convenience store under 465 square metres in area, or parking purposes, or for the installation, testing and commissioning of equipment forming part of the *Work*;
- (3) when left unattended for more than 30 consecutive calendar days or when construction activity has ceased for more than 30 consecutive calendar days.
- .5 Boiler and machinery insurance in the joint names of the *Contractor*, the *Owner* and the *Consultant*. The policy shall include as insureds all *Subcontractors*. The coverage shall be maintained continuously from commencement of use or operation of the boiler and machinery objects insured by the policy and until 10 calendar days after the date of *Substantial Performance* of the *Work*.
- .6 The “Broad form” property and boiler and machinery policies shall provide that, in the case of a loss or damage, payment shall be made to the *Owner* and the *Contractor* as their respective interests may appear. In the event of loss or damage:
  - (1) the *Contractor* shall act on behalf of the *Owner* for the purpose of adjusting the amount of such loss or damage payment with the insurers. When the extent of the loss or damage is determined, the *Contractor* shall proceed to restore the *Work*. Loss or damage shall not affect the rights and obligations of either party under the *Contract* except that the *Contractor* shall be entitled to such reasonable extension of *Contract Time* relative to the extent of the loss or damage as the *Consultant* may recommend in consultation with the *Contractor*;
  - (2) the *Contractor* shall be entitled to receive from the *Owner*, in addition to the amount due under the *Contract*, the amount which the *Owner's* interest in restoration of the *Work* has been appraised, such amount to be paid as the restoration of the *Work* proceeds in accordance with the progress payment provisions. In addition the *Contractor* shall be entitled to receive from the payments made by the insurer the amount of the *Contractor's* interest in the restoration of the *Work*; and
  - (3) to the *Work* arising from the work of the *Owner*, the *Owner's* own forces or another contractor, the *Owner* shall, in accordance with the *Owner's* obligations under the provisions relating to construction by *Owner* or other contractors, pay the *Contractor* the cost of restoring the *Work* as the restoration of the *Work* proceeds and as in accordance with the progress payment provisions.
- .7 Contractors' Equipment Insurance from the date of commencement of the *Work* until one year after the date of *Substantial Performance* of the *Work*.

- 11.1.2 Prior to commencement of the *Work* and upon the placement, renewal, amendment, or extension of all or any part of the insurance, the *Contractor* shall promptly provide the *Owner* with confirmation of coverage and, if required, a certified true copy of the policies certified by an authorized representative of the insurer together with copies of any amending endorsements applicable to the *Work*.
- 11.1.3 The parties shall pay their share of the deductible amounts in direct proportion to their responsibility in regards to any loss for which the above policies are required to pay, except where such amounts may be excluded by the terms of the *Contract*.
- 11.1.4 If the *Contractor* fails to provide or maintain insurance as required by the *Contract Documents*, then the *Owner* shall have the right to provide and maintain such insurance and give evidence to the *Contractor* and the *Consultant*. The *Contractor* shall pay the cost thereof to the *Owner* on demand or the *Owner* may deduct the cost from the amount which is due or may become due to the *Contractor*.
- 11.1.5 All required insurance policies shall be with insurers licensed to underwrite insurance in the jurisdiction of the *Place of the Work*.
- 11.1.6 If a revised version of CCDC 41 – INSURANCE REQUIREMENTS is published, which specifies reduced insurance requirements, the parties shall address such reduction, prior to the *Contractor's* insurance policy becoming due for renewal, and record any agreement in a *Change Order*.
- 11.1.7 If a revised version of CCDC 41 – INSURANCE REQUIREMENTS is published, which specifies increased insurance requirements, the *Owner* may request the increased coverage from the *Contractor* by way of a *Change Order*.
- 11.1.8 A *Change Directive* shall not be used to direct a change in the insurance requirements in response to the revision of CCDC 41 – INSURANCE REQUIREMENTS.

## **GC 11.2 CONTRACT SECURITY**

- 11.2.1 The *Contractor* shall, prior to commencement of the *Work* or within the specified time, provide to the *Owner* any *Contract* security specified in the *Contract Documents*.

- 11.2.2 If the *Contract Documents* require surety bonds to be provided, such bonds shall be issued by a duly licensed surety company authorized to transact the business of suretyship in the province or territory of the *Place of the Work* and shall be maintained in good standing until the fulfillment of the *Contract*. The form of such bonds shall be in accordance with the latest edition of the CCDC approved bond forms.

## PART 12 INDEMNIFICATION, WAIVER OF CLAIMS AND WARRANTY

### GC 12.1 INDEMNIFICATION

- 12.1.1 Without restricting the parties' obligation to indemnify as described in paragraphs 12.1.4 and 12.1.5, the *Owner* and the *Contractor* shall each indemnify and hold harmless the other from and against all claims, demands, losses, costs, damages, actions, suits, or proceedings whether in respect to losses suffered by them or in respect to claims by third parties that arise out of, or are attributable in any respect to their involvement as parties to this *Contract*, provided such claims are:

- .1 caused by:
  - (1) the negligent acts or omissions of the party from whom indemnification is sought or anyone for whose acts or omissions that party is liable, or
  - (2) a failure of the party to the *Contract* from whom indemnification is sought to fulfill its terms or conditions; and
- .2 made by *Notice in Writing* within a period of 6 years from the date of *Substantial Performance of the Work* as set out in the certificate of *Substantial Performance of the Work* issued pursuant to paragraph 5.4.2.2 of GC 5.4 – SUBSTANTIAL PERFORMANCE OF THE WORK or within such shorter period as may be prescribed by any limitation statute of the province or territory of the *Place of the Work*.

The parties expressly waive the right to indemnity for claims other than those provided for in this *Contract*.

- 12.1.2 The obligation of either party to indemnify as set forth in paragraph 12.1.1 shall be limited as follows:

- .1 In respect to losses suffered by the *Owner* and the *Contractor* for which insurance is to be provided by either party pursuant to GC 11.1 – INSURANCE, the general liability insurance limit for one occurrence as referred to in CCDC 41 in effect at the time of bid closing.
- .2 In respect to losses suffered by the *Owner* and the *Contractor* for which insurance is not required to be provided by either party in accordance with GC 11.1 – INSURANCE, the greater of the *Contract Price* as recorded in Article A-4 – CONTRACT PRICE or \$2,000,000, but in no event shall the sum be greater than \$20,000,000.
- .3 In respect to claims by third parties for direct loss resulting from bodily injury, sickness, disease or death, or to injury to or destruction of tangible property, the obligation to indemnify is without limit. In respect to all other claims for indemnity as a result of claims advanced by third parties, the limits of indemnity set forth in paragraphs 12.1.2.1 and 12.1.2.2 shall apply.

- 12.1.3 The obligation of either party to indemnify the other as set forth in paragraphs 12.1.1 and 12.1.2 shall be inclusive of interest and all legal costs.

- 12.1.4 The *Owner* and the *Contractor* shall indemnify and hold harmless the other from and against all claims, demands, losses, costs, damages, actions, suits, or proceedings arising out of their obligations described in GC 9.2 – TOXIC AND HAZARDOUS SUBSTANCES.

- 12.1.5 The *Owner* shall indemnify and hold harmless the *Contractor* from and against all claims, demands, losses, costs, damages, actions, suits, or proceedings:

- .1 as described in paragraph 10.3.2 of GC 10.3 – PATENT FEES, and
- .2 arising out of the *Contractor's* performance of the *Contract* which are attributable to a lack of or defect in title or an alleged lack of or defect in title to the *Place of the Work*.

- 12.1.6 In respect to any claim for indemnity or to be held harmless by the *Owner* or the *Contractor*:

- .1 *Notice in Writing* of such claim shall be given within a reasonable time after the facts upon which such claim is based became known;
- .2 should any party be required as a result of its obligation to indemnify another to pay or satisfy a final order, judgment or award made against the party entitled by this contract to be indemnified, then the indemnifying party upon assuming all liability for any costs that might result shall have the right to appeal in the name of the party against whom such final order or judgment has been made until such rights of appeal have been exhausted.

## GC 12.2 WAIVER OF CLAIMS

- 12.2.1 Subject to any lien legislation applicable to the *Place of the Work*, as of the fifth calendar day before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*, the *Contractor* waives and releases the *Owner* from all claims which the *Contractor* has or reasonably ought to have knowledge of that could be advanced by the *Contractor* against the *Owner* arising from the *Contractor's* involvement in the *Work*, including, without limitation, those arising from negligence or breach of contract in respect to which the cause of action is based upon acts or omissions which occurred prior to or on the date of *Substantial Performance of the Work*, except as follows:
- .1 claims arising prior to or on the date of *Substantial Performance of the Work* for which *Notice in Writing* of claim has been received by the *Owner* from the *Contractor* no later than the sixth calendar day before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*;
  - .2 indemnification for claims advanced against the *Contractor* by third parties for which a right of indemnification may be asserted by the *Contractor* against the *Owner* pursuant to the provisions of this *Contract*;
  - .3 claims for which a right of indemnity could be asserted by the *Contractor* pursuant to the provisions of paragraphs 12.1.4 or 12.1.5 of GC 12.1 – INDEMNIFICATION; and
  - .4 claims resulting from acts or omissions which occur after the date of *Substantial Performance of the Work*.
- 12.2.2 The *Contractor* waives and releases the *Owner* from all claims referenced in paragraph 12.2.1.4 except for those referred in paragraphs 12.2.1.2 and 12.2.1.3 and claims for which *Notice in Writing* of claim has been received by the *Owner* from the *Contractor* within 395 calendar days following the date of *Substantial Performance of the Work*.
- 12.2.3 Subject to any lien legislation applicable to the *Place of the Work*, as of the fifth calendar day before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*, the *Owner* waives and releases the *Contractor* from all claims which the *Owner* has or reasonably ought to have knowledge of that could be advanced by the *Owner* against the *Contractor* arising from the *Owner's* involvement in the *Work*, including, without limitation, those arising from negligence or breach of contract in respect to which the cause of action is based upon acts or omissions which occurred prior to or on the date of *Substantial Performance of the Work*, except as follows:
- .1 claims arising prior to or on the date of *Substantial Performance of the Work* for which *Notice in Writing* of claim has been received by the *Contractor* from the *Owner* no later than the sixth calendar day before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*;
  - .2 indemnification for claims advanced against the *Owner* by third parties for which a right of indemnification may be asserted by the *Owner* against the *Contractor* pursuant to the provisions of this *Contract*;
  - .3 claims for which a right of indemnity could be asserted by the *Owner* against the *Contractor* pursuant to the provisions of paragraph 12.1.4 of GC 12.1 - INDEMNIFICATION;
  - .4 damages arising from the *Contractor's* actions which result in substantial defects or deficiencies in the *Work*. “Substantial defects or deficiencies” mean those defects or deficiencies in the *Work* which affect the *Work* to such an extent or in such a manner that a significant part or the whole of the *Work* is unfit for the purpose intended by the *Contract Documents*;
  - .5 claims arising pursuant to GC 12.3 - WARRANTY; and
  - .6 claims arising from acts or omissions which occur after the date of *Substantial Performance of the Work*.
- 12.2.4 The *Owner* waives and releases the *Contractor* from all claims referred to in paragraph 12.2.3.4 except claims for which *Notice in Writing* of claim has been received by the *Contractor* from the *Owner* within a period of six years from the date of *Substantial Performance of the Work* should any limitation statute of the Province or Territory of the *Place of the Work* permit such agreement. If the applicable limitation statute does not permit such agreement, within such shorter period as may be prescribed by:
- .1 any limitation statute of the Province or Territory of the *Place of the Work*; or
  - .2 if the *Place of the Work* is the Province of Quebec, then Article 2118 of the Civil Code of Quebec.
- 12.2.5 The *Owner* waives and releases the *Contractor* from all claims referenced in paragraph 12.2.3.6 except for those referred in paragraph 12.2.3.2, 12.2.3.3 and those arising under GC 12.3 – WARRANTY and claims for which *Notice in Writing* has been received by the *Contractor* from the *Owner* within 395 calendar days following the date of *Substantial Performance of the Work*.
- 12.2.6 “*Notice in Writing* of claim” as provided for in GC 12.2 – WAIVER OF CLAIMS to preserve a claim or right of action which would otherwise, by the provisions of GC 12.2 – WAIVER OF CLAIMS, be deemed to be waived, must include the following:
- .1 a clear and unequivocal statement of the intention to claim;
  - .2 a statement as to the nature of the claim and the grounds upon which the claim is based; and
  - .3 a statement of the estimated quantum of the claim.
- 12.2.7 The party giving “*Notice in Writing* of claim” as provided for in GC 12.2 – WAIVER OF CLAIMS shall submit within a reasonable time a detailed account of the amount claimed.

- 12.2.8 Where the event or series of events giving rise to a claim made under paragraphs 12.2.1 or 12.2.3 has a continuing effect, the detailed account submitted under paragraph 12.2.7 shall be considered to be an interim account and the party making the claim shall submit further interim accounts, at reasonable intervals, giving the accumulated amount of the claim and any further grounds upon which it is based. The party making the claim shall submit a final account after the end of the effects resulting from the event or series of events.
- 12.2.9 If a *Notice in Writing* of claim pursuant to paragraph 12.2.1.1 is received on the seventh or sixth calendar day before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*, the period within which *Notice in Writing* of claim shall be received pursuant to paragraph 12.2.3.1 shall be extended to two calendar days before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*.
- 12.2.10 If a *Notice in Writing* of claim pursuant to paragraph 12.2.3.1 is received on the seventh or sixth calendar day before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*, the period within which *Notice in Writing* of claim shall be received pursuant to paragraph 12.2.1.1 shall be extended to two calendar days before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*.

### **GC 12.3 WARRANTY**

- 12.3.1 Except for extended warranties as described in paragraph 12.3.6, the warranty period under the *Contract* is one year from the date of *Substantial Performance of the Work*.
- 12.3.2 The *Contractor* shall be responsible for the proper performance of the *Work* to the extent that the design and *Contract Documents* permit such performance.
- 12.3.3 The *Owner*, through the *Consultant*, shall promptly give the *Contractor Notice in Writing* of observed defects and deficiencies which occur during the one year warranty period.
- 12.3.4 Subject to paragraph 12.3.2, the *Contractor* shall correct promptly, at the *Contractor's* expense, defects or deficiencies in the *Work* which appear prior to and during the one year warranty period.
- 12.3.5 The *Contractor* shall correct or pay for damage resulting from corrections made under the requirements of paragraph 12.3.4.
- 12.3.6 Any extended warranties required beyond the one year warranty period as described in paragraph 12.3.1, shall be as specified in the *Contract Documents*. Extended warranties shall be issued by the warrantor to the benefit of the *Owner*. The *Contractor's* responsibility with respect to extended warranties shall be limited to obtaining any such extended warranties from the warrantor. The obligations under such extended warranties are solely the responsibilities of the warrantor.

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**CCDC 41**  
**CCDC INSURANCE REQUIREMENTS**

**PUBLICATION DATE: JANUARY 21, 2008**

1. General liability insurance shall be with limits of not less than \$5,000,000 per occurrence, an aggregate limit of not less than \$5,000,000 within any policy year with respect to completed operations, and a deductible not exceeding \$5,000. The insurance coverage shall not be less than the insurance provided by IBC Form 2100 (including an extension for a standard provincial and territorial form of non-owned automobile liability policy) and IBC Form 2320. To achieve the desired limit, umbrella or excess liability insurance may be used. Subject to satisfactory proof of financial capability by the *Contractor*, the *Owner* may agree to increase the deductible amounts.
2. Automobile liability insurance in respect of vehicles that are required by law to be insured under a contract by a Motor Vehicle Liability Policy, shall have limits of not less than \$5,000,000 inclusive per occurrence for bodily injury, death and damage to property, covering all vehicles owned or leased by the *Contractor*. Where the policy has been issued pursuant to a government-operated automobile insurance system, the *Contractor* shall provide the *Owner* with confirmation of automobile insurance coverage for all automobiles registered in the name of the *Contractor*.
3. Aircraft and watercraft liability insurance with respect to owned or non-owned aircraft and watercraft (if used directly or indirectly in the performance of the *Work*), including use of additional premises, shall have limits of not less than \$5,000,000 inclusive per occurrence for bodily injury, death and damage to property including loss of use thereof and limits of not less than \$5,000,000 for aircraft passenger hazard. Such insurance shall be in a form acceptable to the *Owner*.
4. "Broad form" property insurance shall have limits of not less than the sum of 1.1 times *Contract Price* and the full value, as stated in the *Contract*, of *Products* and design services that are specified to be provided by the *Owner* for incorporation into the *Work*, with a deductible not exceeding \$5,000. The insurance coverage shall not be less than the insurance provided by IBC Forms 4042 and 4047 (excluding flood and earthquake) or their equivalent replacement. Subject to satisfactory proof of financial capability by the *Contractor*, the *Owner* may agree to increase the deductible amounts.
5. Boiler and machinery insurance shall have limits of not less than the replacement value of the permanent or temporary boilers and pressure vessels, and other insurable objects forming part of the *Work*. The insurance coverage shall not be less than the insurance provided by a comprehensive boiler and machinery policy.
6. "Broad form" contractors' equipment insurance coverage covering *Construction Equipment* used by the *Contractor* for the performance of the *Work*, shall be in a form acceptable to the *Owner* and shall not allow subrogation claims by the insurer against the *Owner*. Subject to satisfactory proof of financial capability by the *Contractor* for self-insurance, the *Owner* may agree to waive the equipment insurance requirement.
7. Standard Exclusions
  - 7.1 In addition to the broad form property exclusions identified in IBC forms 4042(1995), and 4047(2000), the *Contractor* is not required to provide the following insurance coverage:
    - Asbestos
    - Cyber Risk
    - Mould
    - Terrorism

Association  
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Companies

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Architectural  
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# **THE CORPORATION OF THE CITY OF SAULT STE. MARIE**

## **BY-LAW 2019-136**

**LICENSING:** (L3) A by-law to prohibit vendors from locating on or near the grounds of Rotaryfest 2019.

**THE COUNCIL** of The Corporation of the City of Sault Ste. Marie, pursuant to section 10 of the *Municipal Act, 2001*, S.O. 2001, c. 25, **ENACTS** as follows:

### **1. VENDORS PROHIBITED**

Without the prior written permission of Rotary Club of Sault Ste. Marie and despite the provisions of By-laws 3306 and 84-196, during July 13<sup>th</sup> – 21<sup>st</sup>, 2019 vendors licensed under those by-laws shall not locate on or near the grounds of Rotaryfest 2019 more particularly described on Schedule "A" to this by-law:

- (a) Russ Ramsay Way south of the entrance to the Senior Drop In Centre;
- (b) Foster Drive from Russ Ramsay Way to the east entrance to the south Civic Centre parking lot;
- (c) South side of Bay Street between Brock and East Streets including the sidewalk; and
- (d) Lower East Street south of Bay Street and Ken Danby Way.

### **2. PENALTY**

Every person who contravenes any provision of this by-law is guilty of an offence and on conviction is liable to a fine as provided for in the Provincial Offences Act.

### **3. SCHEDULE "A"**

Schedule "A" hereto forms part of this by-law.

### **4. EFFECTIVE DATE**

This by-law is effective on the final date of its passing.

By-law 2019-136

Page 2

**PASSED** in open Council this 17<sup>th</sup> day of June, 2019.

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**MAYOR – CHRISTIAN PROVENZANO**

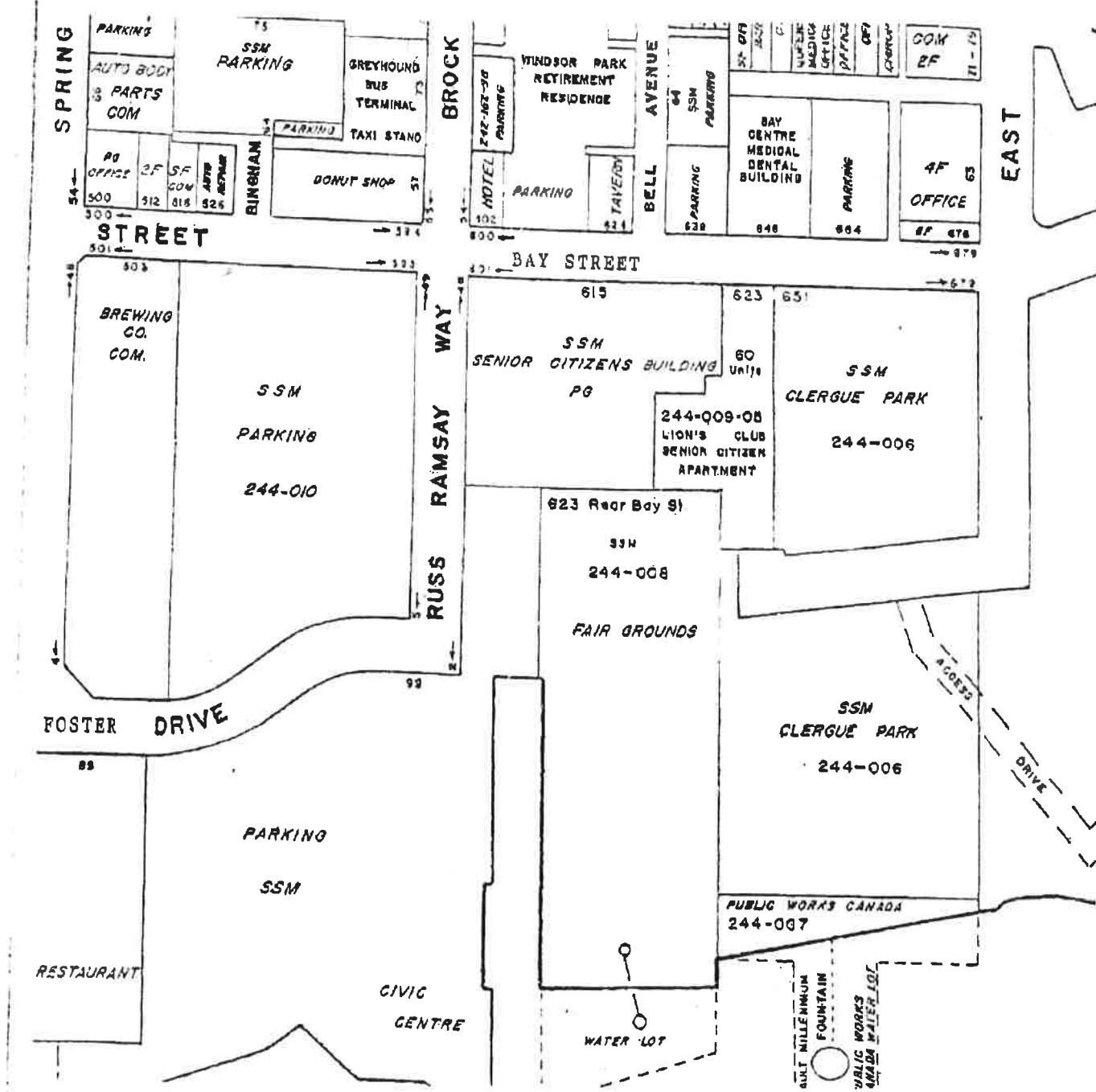
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**CITY CLERK – MALCOLM WHITE**

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Schedule "A"

Vendors are prohibited from locating on or near the grounds of Rotaryfest 2019 as shown below.



**THE CORPORATION OF THE CITY OF SAULT STE. MARIE**

**BY-LAW 2019-137**

**APPOINTMENTS:** (B1.3) A by-law to appoint Inspectors under the *Building Code Act*, 1992 and Municipal Law Enforcement Officers under the *Police Services Act*.

**THE COUNCIL** of the Corporation of the City of Sault Ste. Marie pursuant to the *Building Code Act*, 1992 and of the *Police Services Act*, R.S.O. 1990, **ENACTS** as follows:

**1. SCHEDULE "A" TO BY-LAW 2012-168 AMENDED**

Schedule "A" to By-law 2012-168 is hereby repealed and replaced with Schedule "A" attached to this by-law.

**2. SCHEDULE "A"**

Schedule "A" hereto forms part of this by-law.

**2. EFFECTIVE DATE**

This by-law takes effect on the day of its final passing.

**PASSED** in open Council this 17<sup>th</sup> day of June, 2019.

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**MAYOR – CHRISTIAN PROVENZANO**

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**CITY CLERK – MALCOLM WHITE**

Schedule "A" to By-laws 2019-137 and 2012-168

Freddie Pozzebon

Gary Schryer

Kevin Lavergne

Glen Irwin

Frank Bentrovato

Larry Kennedy

Tyler Bertrand

Francois Couture

Peter Schell

Frank Bumbaco

Brant Coulter

**THE CORPORATION OF THE CITY OF SAULT STE. MARIE**

**BY-LAW 2019-138**

**AGREEMENT:** (E2.2) A by-law to authorize the execution of the Contract between the City and Ellwood Robinson Inc. for supplying all materials, labour and equipment necessary for the resurfacing of Allen's Side Road from Second Line West to Base Line, Queen Street from Lorna Drive to Kerr Drive, Pim Street from Summit Avenue to MacDonald Avenue, Manitou Drive from McNabb Street to Anna Street and Surface Treatment of various locations within the municipality of Sault Ste. Marie (Contract 2019-9E).

**THE COUNCIL** of The Corporation of the City of Sault Ste. Marie, pursuant to section 9 of the *Municipal Act, 2001*, S.O. 2001, c. 25, **ENACTS** as follows:

**1. EXECUTION OF DOCUMENT**

The Mayor and City Clerk are hereby authorized for and in the name of the Corporation to execute and affix the seal of the Corporation to the Contract dated June 17, 2019 between the City and Ellwood Robinson Inc., a copy of which is attached as Schedule "A" hereto. This Contract is for supplying all materials, labour and equipment necessary for the resurfacing of Allen's Side Road from Second Line West to Base Line, Queen Street from Lorna Drive to Kerr Drive, Pim Street from Summit Avenue to MacDonald Avenue, Manitou Drive from McNabb Street to Anna Street and Surface Treatment of various locations within the municipality of Sault Ste. Marie (Contract 2019-9E).

**2. SCHEDULE "A"**

Schedule "A" forms part of this by-law.

**3. EFFECTIVE DATE**

This by-law takes effect on the day of its final passing.

**PASSED** in open Council this 17<sup>th</sup> day of June, 2019.

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**MAYOR - CHRISTIAN PROVENZANO**

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**CITY CLERK - MALCOLM WHITE**

## Schedule "A"

### CORPORATION OF THE CITY OF SAULT STE. MARIE

### CONTRACT 2019-9E

### FORM OF AGREEMENT

This Agreement made (in triplicate) this 17<sup>th</sup> day of June in the year 2019 by and between  
Ellwood Robinson Inc., hereinafter called the "Contractor"

AND

The Municipal Corporation of the City of Sault Ste. Marie, Ontario hereinafter called the "Corporation".

WITNESSETH: That the Contractor and the Corporation undertake and agree as follows:

1. The Contractor will provide all the materials and all the works shown and described in the contract documents entitled:

### MISCELLANEOUS PAVING CONTRACT 2019-9E

Which have been signed in triplicate by both parties and which were prepared under the supervision of Don Elliott, P. Eng, Director of Engineering acting as and herein entitled, the Owner.

2. The Contractor will do and fulfill everything indicated by the Agreement, the General Conditions, the Specifications, the Special Provisions and the Drawings.
3. The Contractor will complete all the work to the entire satisfaction of the Owner within the period of time specified.
4. The Corporation shall pay to the Contractor the contract price as set forth in the Form of Tender in accordance with the provisions as set forth in the General Conditions and the Special Provisions. The quantities contained in the Form of Tender are approximate only and the final payment shall be made for the actual quantities that are incorporated in or made necessary by the work covered by the contract.
5. The Corporation shall pay the Contractor for work that is ordered in writing by the Owner and that cannot be classified as coming under any of the contract units and for which no unit price, lump sum, or other basis can be agreed upon, on a time and material basis as set out in the General Conditions.
6. The Contractor shall completely indemnify and save harmless the Owner, its employees, officers and agents from any and all claims, demands, actions, losses, expenses, costs or damages of every kind and nature whatsoever and howsoever caused that the Client, its employees, officers or agents may sustain or suffer as a consequence of the actions, inactions or omissions of the Contractor, its employees, agents or officers or as a result of the performance of this Agreement by the Contractor, its employees, agents or officers or as a consequence of the negligent actions or inactions of the Contractor, its employees, agents or officers whether or not the Client is partially or wholly responsible for such claims, demands, actions, losses, expenses, costs or damages.
7. The Contractor shall also indemnify The Public Utilities Commission of the City of Sault Ste. Marie, PUC Distribution Inc. and PUC Services Inc., its officers, employees, agents and affiliates, from all loss, damages, costs, charges and expenses of every nature and kind whatsoever which may be made or brought against The Public Utilities Commission of the City of Sault Ste. Marie, PUC Distribution Inc. and/or PUC Services Inc., its officers, employees, agents and affiliates, by reason

or in consequent of the execution and performance or maintenance of the work by the Contractor, its employees, agents, officers, or those for whom at law the Contractor is responsible.

8. All communications in writing between the Corporation, the Contractor and the Owner shall be deemed to have been received by the Addressee if delivered to the individual, a member of the firm or an officer of the Corporation for whom they are intended or if sent by post or by facsimile as follows:

**THE CORPORATION:** The Corporation of the City of Sault Ste. Marie  
Civic Centre, 99 Foster Drive  
Sault Ste. Marie, ON P6A 5X6

**THE CONTRACTOR:** Ellwood Robinson Inc.  
2075 Great Northern Road  
Sault Ste. Marie, ON P6A 5K7  
Facsimile: 705-945-8237

**THE OWNER:** Mr. Don Elliott, P. Eng.  
Director of Engineering  
Civic Centre, 99 Foster Drive  
Sault Ste. Marie, ON P6A 5X6  
Facsimile 705-541-7165

IN WITNESS WHEREOF the parties hereto have executed this Agreement by the day and year first above written.

Signed, Sealed and Delivered  
in the presence of

**THE CORPORATION OF THE CITY OF SAULT STE. MARIE**

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MAYOR - CHRISTIAN PROVENZANO

(seal)

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CITY CLERK – MALCOLM WHITE

**THE CONTRACTOR**

---

ELLWOOD ROBINSON INC.

COMPANY NAME

(seal)

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SIGNATURE