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## O. Reg. 599/06: MUNICIPAL SERVICES CORPORATIONS

Under: [TAX MATTERS - TIME LIMITS FOR 2005  
UNDER SECTIONS 308, 308.1, 310, 311, 314,  
329.1 AND 362 OF THE ACT](#)

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**CURRENT** April 1, 2024 -  
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## MUNICIPAL SERVICES CORPORATIONS

**CURRENT** Consolidation period: April 1,  
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Last amendment: [110/24](#).

**This is the English version of a bilingual  
regulation.**

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✓ Legislative History



## Definitions

1. In this Regulation,

“private person” means a person who is not a municipality, the Province of Ontario, Canada or an agent of any of them; (“personne privée”)

“public sector entity” means,

- (a) a municipality,
- (b) the Crown in right of Ontario,
- (c) the Crown in right of Canada, or
- (d) a combination of them; (“entité du secteur public”)

“wholly-owned corporation” means,

- (a) a corporation all of whose shares are owned by a municipality or by a municipality and one or more other public sector entities, and
- (b) a corporation in which a municipality, by itself or together with one or more other public sector entities, has an entitlement to all of the voting rights allocated to the members of the corporation. (“personne morale en propriété exclusive”) O. Reg. 599/06, s. 1.

## Exercise of s. 203 (1) powers

2. (1) A municipality in exercising the powers referred to in subsection  Fr of the Act in relation to a corporation shall do so in

(2) Sections 7, 13, 14 and 15 apply to a municipality in relation to a corporation only if the municipality uses or expects to use a power referred to in section 3 or subsection 4 (2), (3) or 5 (1) in relation to the corporation. O. Reg. 599/06, s. 2 (2); O. Reg. 25/15, s. 1.

(3) Sections 17 to 22 apply to a corporation only if a municipality uses or expects to use a power referred to in section 3 or subsection 4 (2), (3) or 5 (1) in relation to the corporation. O. Reg. 599/06, s. 2 (3).


## **GENERAL POWERS IN RELATION TO CORPORATIONS FOR MUNICIPALITIES**

### **Power to establish corporations**

**3.** A municipality may use the power referred to in paragraph 1 of subsection 203 (1) of the Act to establish a corporation only if the municipality by itself, or together with one or more other public sector entities, establishes the corporation and,

(a) the corporation's purpose is to provide a system, service or thing that the municipality itself could provide; or

(b) the establishment of the corporation is expressly authorized by this Regulation.  
O. Reg. 599/06, s. 3.

**Powers in relation to  Corporations,  
members, directors, officers**

to nominate or authorize a person to act as a director or officer of a corporation in relation to any corporation whether incorporated under this or any other Act. O. Reg. 599/06, s. 4 (1).

(2) A municipality may use the power referred to in paragraph 2 of subsection 203 (1) of the Act to nominate or authorize a person to act as an incorporator of a corporation only if the corporation is one the municipality may establish under this Regulation. O. Reg. 599/06, s. 4 (2).

(3) A municipality may use the power referred to in paragraph 2 of subsection 203 (1) of the Act to nominate or authorize a person to act as a member of a corporation only if the corporation is established by a public sector entity and it carries on business in the municipality or in the municipality and another municipality. O. Reg. 599/06, s. 4 (3).

## **Powers in relation to securities of corporations**

**5.** (1) Subject to section 14 of this Regulation, a municipality may use the powers referred to in paragraphs 4 and 5 of subsection 203 (1) of the Act to acquire, hold, dispose of, guarantee and otherwise deal with securities of a corporation only if the corporation is established by a public sector entity and the corporation carries on business in the municipality or in the municipality and another municipality. O. Reg. 599/06, s. 5 (1).



under an exception to subsections 106 (1) and (2) of the Act, make a grant under section 107 of the Act, or make an investment or undertake other financial activities under Part XIII of the Act. O. Reg. 599/06, s. 5 (2).

## DUTIES OF MUNICIPALITY

### Business case study

**6.** A municipality shall adopt a business case study before it uses the powers referred to in section 3, 4 or 5 to,

(a) establish a corporation either alone or with one or more other public sector entities;

(b) purchase securities in a corporation established by one or more public sector entities other than the municipality;

(c) become a member of a corporation established by one or more public sector entities other than the municipality; or

(d) submit, with respect to a corporation for which a study was undertaken under clause (a), (b) or (c), or cause a corporation for which a study was undertaken under clause (a), (b) or (c) to submit, articles of amendment or any other articles or supplementary letters patent. O. Reg. 599/06, s. 6.

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### Rules for Municipality

O. Reg. 599/06, s. 7 (1).

(2) A municipality shall not transfer any of its assets to a corporation before the municipality adopts the policies referred to in subsection (1).

O. Reg. 599/06, s. 7 (2).

### Public participation

**8.** Before establishing a corporation under section 3, a municipality shall consult with the public about the proposal to establish the corporation. O. Reg. 599/06, s. 8.

### Economic development corporations

**9.** (1) If a municipality establishes a corporation for the sole purpose of providing one or more economic development services, the municipality may also designate the corporation as a designated economic development corporation. O. Reg. 599/06, s. 9 (1).

(2) Despite section 21 of this Regulation, if a municipality designates a corporation under subsection (1), the corporation is a local board of the municipality for the purposes of section 326 of the Act. O. Reg. 599/06, s. 9 (2).

(3) Economic development services provided by and for the purposes of a corporation designated by a municipality under subsection (1) are prescribed as special services for the purposes of clause 326 (1) (a) of the Act. O. Reg. 599/06, s. 9 (3).

(4) In this section,



- (a) the promotion of the municipality for any purpose, including by the collection and dissemination of information and the development of economic development strategic plans,
- (b) the acquisition, development and disposal of sites in the municipality for residential, industrial, commercial and institutional uses,
- (c) provision of public transportation systems,
- (d) provision of residential housing,
- (e) provision of general parking facilities,
- (f) providing a counselling service to or encouraging the establishment and initial growth of small businesses operating or proposing to operate in the municipality,
- (g) undertaking community improvement consistent with a community improvement plan approved by the municipality under subsection 28 (4) of the *Planning Act*,
- (h) improvement, beautification and maintenance of municipally-owned land, buildings and structures in an area designated by the municipality beyond the standard provided at the expense of the municipality generally, and promotion of any area of the municipality as a business or shopping area,
- (i) provision of facilities for amusement or for conventions and visitor centres,
- (j) provision of culture and heritage systems.

O. Reg. 599/06, s. 9 (4).





referred to in paragraphs 1 to 5 of subsection 203 (1) of the Act in relation to a corporation incorporated for the purpose of holding shares in one or more other corporations only if,

(a) the corporation is established by the municipality or the municipality and one or more other municipalities;

(b) the articles of incorporation of the corporation restrict the ownership of any and all voting and non-voting shares in the corporation to the municipality or to the municipality and one or more other municipalities; and

(c) the articles of incorporation of the corporation restrict the powers of the corporation to those necessary to acquire, hold, dispose of and otherwise deal with,

(i) shares of one or more corporations established under any Act by the municipality,

(ii) shares of one or more corporations established under any Act by another municipality that the municipality has agreed to allow to carry on business in the municipality, or

(iii) any combination of shares described in s. 10 (1) of the Act as (i) and (ii).

O. Reg. 599/06, s. 10 (1).

“corporation” means a corporation other than a corporation established by a municipality for the purpose of holding shares in one or more other corporations. O. Reg. 599/06, s. 10 (2).

## **Special corporation, Windsor-Detroit Tunnel**

**10.1** (1) The City of Windsor may, by itself or together with one or more other public sector entities, use the powers referred to in paragraphs 1 to 5 of subsection 203 (1) of the Act in relation to a corporation that satisfies the following conditions:

1. It carries on business,
  - i. in the City of Detroit and elsewhere in the State of Michigan, or
  - ii. in the City of Detroit, elsewhere in the State of Michigan and in the City of Windsor.
2. Its purposes are restricted to,
  - i. managing, operating and maintaining all or part of the Tunnel,
  - ii. holding shares in one or more corporations established for the purpose of managing, operating and maintaining all or part of the Tunnel, or
  - iii. a combination of the purposes listed in subparagraphs i and ii.



(2) Sections 10 and 16 do not apply to a corporation established under subsection (1). O. Reg. 371/07, s. 1.

(3) Without limiting the generality of subsection (1), the power to establish a corporation under that subsection includes power to incorporate a corporation under the laws of the State of Michigan. O. Reg. 371/07, s. 1.

(4) Nothing in subsection (1) prevents the City of Windsor from using the powers referred to in subsection 203 (1) of the Act in relation to a corporation that carries on business in relation to the Tunnel only in the City of Windsor. O. Reg. 371/07, s. 1.

(5) In this section,

“City of Detroit” means the City of Detroit in the State of Michigan; (“*cit  de Detroit*”)

“State of Michigan” means the State of Michigan in the United States of America; (“* tat du Michigan*”)

“Tunnel” means the motor vehicle tunnel that connects the City of Windsor with the City of Detroit, and includes any ancillary facilities for the transfer of passengers between municipal transportation systems of the City of Windsor and the City of Detroit. (“Tunnel”) O. Reg. 371/07, s. 1.



## Prohibited use of powers in relation to corporations

**11.** (1) Despite section 3, subsections 4 (2), (3) and 5 (1) of this Regulation, a municipality shall not use any of the powers referred to in paragraphs 1 to 5 of subsection 203 (1) of the Act in relation to a corporation if the business or activities of the corporation include doing anything that the municipality or any of its local boards may do or are required to do under any of the following Acts:

1. *Ambulance Act*.

2. *Child, Youth and Family Services Act, 2017*.

2.1 *Community Safety and Policing Act, 2019*.

3. *Fire Protection and Prevention Act, 1997*.

4. *Health Protection and Promotion Act*.

5. *Fixing Long-Term Care Act, 2021* in respect of long-term care homes under Part IX of that Act.

6. REVOKED: O. Reg. 110/24, s. 1 (2).

7. *Provincial Offences Act*.

8. *Public Libraries Act*.

9. *Ontario Works Act, 1997*; O. Reg. 599/06, s. 11 (1); O. Reg. 8  Fr  (1); O. Reg. 173/18, s. 1; O. Reg. 269/22, s. 1 (1); O. Reg. 110/24, s. 1.

of subsection 203 (1) of the Act in relation to a corporation that carries on business or activities in connection with a municipality, local board, public hospital, university, college or school board operating under any of the Acts listed in that subsection, but only if the business or activities of the corporation in connection with those entities are restricted to the provision of administrative services to them. O. Reg. 599/06, s. 11 (2).

(3) Despite section 3 and subsections 4 (2), (3) and 5 (1) of this Regulation, a municipality shall only use the powers referred to in paragraphs 1 to 5 of subsection 203 (1) of the Act in relation to a corporation that carries on any business or activities in connection with a long-term care home under the *Fixing Long-Term Care Act, 2021* other than a long-term care home under Part IX of that Act if the business or activities of the corporation are restricted to the construction, operation, maintenance and ownership, including ownership of land, of facilities that are new when the corporation first carries on its business with respect to them. O. Reg. 87/10, s. 1 (2); O. Reg. 289/22, s. 1 (2).

(4) Despite section 3 and subsections 4 (2), (3) and 5 (1) of this Regulation, a municipality shall not use any of the powers referred to in paragraphs 1 to 5 of subsection 203 (1) of the Act in relation to *corporation if the business or activities of the corporation include requiring a person to pay an administrative fee or penalty in respect of the person's failure to comply with any by-law of the municipality or any other municipality*

**12.** REVOKED: O. Reg. 25/15, s. 2.

## **No assignment**

**13.** A municipality shall not assign or transfer any right granted to it in any agreement between the municipality and the Province of Ontario to a corporation without first obtaining the consent of the Minister responsible for the agreement. O. Reg. 599/06, s. 13.

## **Debt instruments**

**14.** A municipality may use the powers referred to in paragraphs 4 and 5 of subsection 203 (1) of the Act to acquire, hold, dispose of, guarantee and otherwise deal with bonds, debentures, promissory notes, mortgages and similar evidences of indebtedness of a corporation that may issue shares only if the debt would be incurred by reason of the transfer to the corporation of land, equipment or other goods belonging to the municipality. O. Reg. 82/16, s. 1.

## **Assistance to corporation**

**15.** (1) Despite section 106 of the Act, a municipality may provide assistance to a corporation,

(a) if the corporation is a wholly-owned corporation and is limited by its articles or letters patent to providing services to the owners or members of the corporation;

(b) if the purpose of the assistance is to subsidize the cost of public transportation



(c) if,

(i) the purpose of the assistance is to facilitate the provision by the corporation of affordable housing, as defined in a by-law made by the municipality respecting provision of assistance to the corporation for this purpose, and

(ii) the by-law contains policies regarding public eligibility for the housing units provided as part of the affordable housing. O. Reg. 599/06, s. 15 (1); O. Reg. 152/16, s. 1.

(2) The types of assistance that may be provided under subsection (1) are,

(a) giving, lending or selling any property of a municipality, including money;

(b) guaranteeing borrowing;

(c) providing the services of employees of or persons under contract with a municipality. O. Reg. 599/06, s. 15 (2).

(3) The assistance provided under clause (2) (a), (b) or (c) need not be at fair market value. O. Reg. 599/06, s. 15 (3).

(4) The treasurer shall prepare a statement of the value of any grant to the corporation or an estimate of the fair market value of any other



O. Reg. 599/06, s. 15 (4).

## **RULES FOR CORPORATIONS**

### **Territorial operation of corporation**

**16.** (1) A corporation may only operate within the boundaries of a municipality with the agreement of the municipality. O. Reg. 599/06, s. 16 (1).

(2) Despite subsection (1), a corporation may operate within the boundaries of an upper-tier municipality without the agreement of any lower-tier municipality that forms part of that upper-tier municipality for municipal purposes if the corporation's purpose is to provide a system, service or thing that the upper-tier municipality itself could provide. O. Reg. 599/06, s. 16 (2).

(3) Despite subsection (1), a corporation may operate within the boundaries of a lower-tier municipality that forms part of an upper-tier municipality for municipal purposes without the agreement of the upper-tier municipality if the corporation's purpose is to provide a system, service or thing that the lower-tier municipality itself could provide. O. Reg. 599/06, s. 16 (3).

(4) This section applies to any corporation established by,

(a) a municipality using the power referred to in paragraph 1 of subsection 203 (1) of the Act;



(b) the City of Toronto using the power referred to in paragraph 1 of subsection 148



(c) the Province of Ontario together with one or more municipalities referred to in clause (a) or (b);

(d) the Crown in right of Canada together with one or more municipalities referred to in clause (a) or (b); or


(e) any combination of clauses (a), (b), (c) and (d). O. Reg. 599/06, s. 16 (4).

## **Amendments to corporate documents**

**17.** (1) A corporation shall not make an amendment to its articles of incorporation or letters patent or to any subsequent articles or supplementary letters patent if the amendment would permit the corporation,

(a) to carry on a purpose other than a purpose that would be permitted by section 3;

(b) to carry on any business or activities that would include doing anything that the municipality or any of its local boards could do or be required to do under any of the Acts mentioned in subsection 11 (1), except the business or activity of providing administrative services permitted by subsection 11 (2); or

(c) to carry on any business or activities that would include doing  inconsistent with subsection 11 (3) or (4). O. Reg. 599/06, s. 17 (1); O. Reg. 82/16, s. 2.

supplementary letters patent under any Act unless the municipality has first adopted a business case study in relation to the proposed amendment, articles or supplementary letters patent. O. Reg. 599/06, s. 17 (2).

## **Limitations on actions of corporation**

**18.** (1) A corporation shall not act as an incorporator of another corporate body that is incorporated under any Act. O. Reg. 599/06, s. 18 (1).

(2) A corporation may only invest in securities prescribed under section 418 of the Act and, for the purpose of this subsection, any regulation made under that section of the Act applies to the corporation as if it were a municipality. O. Reg. 599/06, s. 18 (2).

(3) Despite subsection (2), to expand or otherwise carry on its purposes, a corporation may acquire all of the voting and non-voting shares of,

(a) another corporation established by one or more municipalities;

(b) a body corporate incorporated under any Act if the articles of incorporation of the body corporate restrict the powers or limit the objects of the body corporate to carrying on one or more of the purposes set out in clause 3 (a). O. Reg. 599/06, s. 18 (3); O. Reg. 371/07, s. 2 (1).



dissolved and its remaining assets and liabilities transferred to the acquiring corporation within one year of the date of the acquisition of the shares. O. Reg. 599/06, s. 18 (4).

(4.1) Subsections (3) and (4) do not apply to a corporation established under section 10 or 10.1. O. Reg. 371/07, s. 2 (2).

(5) If any purpose or business of a corporation includes the provision of a public utility for water or sewage,

(a) the corporation shall not issue shares or give voting rights attached to the shares to a private person if it is a share corporation or, if it is a non-share corporation, it shall allocate voting rights to a member of the corporation only if the member is not a private person; and

(b) the corporation shall not transfer to a private person any asset that is part or all of a municipal drinking water system or of a sewage works unless the board of directors of the corporation has declared, by resolution, that the asset is no longer needed for the purposes of the system. O. Reg. 599/06, s. 18 (5).

(6) If any purpose or business of a corporation includes a program for the supervision, encouragement and guidance of recreational activity for persons under the age of 18, the corporation shall not issue shares or give voting rights attached to the shares to a private person



member of the corporation only if the member is not a private person. O. Reg. 599/06, s. 18 (6).

(7) In this section,

“municipal drinking water system” has the same meaning as in the *Safe Drinking Water Act, 2002*; (“réseau municipal d’eau potable”)

“sewage works” has the same meaning as in the *Ontario Water Resources Act*. (“station d’épuration des eaux d’égout”) O. Reg. 599/06, s. 18 (7).

## Deemed members


**19.** The directors and officers of a corporation shall be deemed to be members for the purposes of the *Municipal Conflict of Interest Act*. O. Reg. 599/06, s. 19.

## Deemed institutions

**20.** A corporation that is a wholly-owned corporation or a corporation whose business or activities include the provision of administrative services to any municipality, local board, public hospital, university, college or school board is deemed to be an institution for the purposes of the *Municipal Freedom of Information and Protection of Privacy Act*. O. Reg. 599/06, s. 20.

## Status of corporation

**21.** (1) A corporation is not a local board for the purposes of any Act. O. Reg. 599/06, s. 21 (1).

(2) Despite subsection (1)  Fr ation shall be deemed to be a local board for purposes of subsection 270 (2) of the Act, and for the

*Emergency Management and Civil Protection Act*, and subsection 56.2 (3) of the *Capital Investment Plan Act*, 1993. O. Reg. 599/06, s. 21 (2).

(3) Despite subsection (1), if a corporation is wholly-owned, it shall be deemed to be a local board for the purposes of the *Development Charges Act*, 1997. O. Reg. 599/06, s. 21 (3).

## Result of non-compliance

**22.** Any of the following matters may be considered sufficient cause under any Act to cancel the certificate of incorporation of a corporation or the letters patent or supplementary letters patent of a corporation:

1. The corporation does not meet the requirements of this Regulation.
2. A certificate is issued under the *Business Corporations Act* or any other Act under which a municipality establishes a corporation that is inconsistent with this Regulation.
3. Letters patent or supplementary letters patent are granted under any Act that are inconsistent with this Regulation.
4. The corporation acts outside the purposes to which it is restricted by its articles or letters patent.

5. REVOKED: O. Reg. 25/



O. Reg. 599/06, s. 22; O. Reg. 25/15, s. 3.

**24.** OMITTED (PROVIDES FOR COMING INTO FORCE OF PROVISIONS OF THIS REGULATION). O. Reg. 599/06, s. 24.

