



CAO-14-25

Report

To: Mayor and Members of Council

From: Ruth Orton, General Counsel / Indigenous Community Liaison

Date: July 29, 2025

Re: Development, Procurement and Use of Artificial Intelligence Policy

Recommendation:

It is recommended that:

1. Council approve CAO-2025-01 Use, Development and Procurement of Artificial Intelligence Policy. (Report CAO-14-25)

Background:

Artificial intelligence (AI) technologies have significant potential to transform the way municipalities provide services to residents through the use of tools designed to enhance operational efficiency, data-driven decision-making and service delivery.

According to MNP's latest Municipal Report¹ twenty-three percent of Canadian municipalities are currently using AI and over half are actively exploring or planning adoption. Among those using AI, the most common applications focus on practical, people-first outcomes:

Customer service chatbots and citizen engagement tools

Public safety and environmental monitoring

Internal Human Resource functions like scheduling and recruitment

¹ <https://www.mnp.ca/en/media/2025-municipal-report-canadian-local-gov-ai-analytic-drive-progress>

AI technologies, however, also pose risks that can negatively impact individuals, groups, organizations, communities and the environment. Developing a comprehensive Policy allows the Municipality to foster an environment that encourages innovation while managing the risks associated with AI and ensuring compliance with applicable legislation, particularly as it relates to the protection of personal information.

Comments:


The attached Policy identifies the guiding principles for the development or procurement and use of AI - generally based upon the characteristics of trustworthy AI systems. These principles are further described in the associated Guidelines attached as an Appendix to the Policy. It is recommended that the authority to amend these Guidelines be delegated to the CAO as, due to the rapid development of AI technologies and the associated risks; regular amendments will be necessary in order to ensure timely, effective communication to those that are using AI in their work. A further report to Council will be presented in this regard.

Although this Policy focuses on managing risks associated with AI, in accordance with Council's Strategic Plan, there will be an emphasis on continuous improvement and modernization the Municipality's service delivery through the use of AI. As Council will note from a review of the Policy, seeking out potential transformative opportunities for AI to enhance and improve the quality of municipal services and the efficiency in which they are provided will be a focus, not just of the Oversight Committee, but all municipal staff.

Financial Impact:

There is no financial impact as a result of the Policy or Guidelines.

Respectfully submitted,


Peter A. Neufeld, B.A., LL.B.
Chief Administrative Officer

Ruth Orton, LL.B.
General Counsel / Indigenous Community Liaison

Attachments: Appendix I - Development, Procurement and Use of Artificial Intelligence Policy

Staff Use Only

Proposed Council Meeting Date: August 12, 2025

By-law Required or Attached: Required Attached

Public Meeting under Planning Act: Yes No

Drainage – Meeting to Consider: Yes No

Drainage – Court of Revision: Yes No

Presentation: Yes No

(If yes, please forward the presentation to Legislative Services.)

Consent Agenda Item: Yes No



Policy No.: Policy CAO-2025-01 - Responsible Development, Procurement and Use of Artificial Intelligence (AI)
Department: Chief Administrative Officer
Date Enacted: August 12, 2025
Review Period: August 2026
Approved By: #C-XXX-XX
Amended By: #C-XXX-XX

Subject

This Policy provides a framework for the responsible development, procurement and use of AI.

Purpose

The Municipality is committed to leveraging AI in a manner that is aligned with its core values, applicable legislation and the public interest. The aim is to harness the benefits of AI to improve public services, enhance operational efficiency, and foster innovation while upholding public trust, ensuring fairness and managing and mitigating potential risks.

Scope

This Policy applies to all Employees, members of Council and members of ABCs.

This Policy includes AI Systems whether developed within the Municipality, procured by the Municipality or utilized as part of a shared service.

Definitions

“**ABCs**” means any agency, board or committee established by Council.

“**AI**” means technology that uses artificial intelligence that enables computers and machines to simulate human learning, comprehension, problem solving, decision making, creativity and autonomy.

“AI System” means a machine-based system that, for explicit or implicit objectives, infers from the input it receives in order to generate Outputs such as predictions, content, recommendations or decisions that can influence physical or virtual environments.

“Algorithm” means a set of rules or instructions given to AI to help it learn, make decisions, or perform tasks.

“Bias” means systematic errors or prejudices in AI that can lead to unfair, discriminatory, or inaccurate outcomes, often stemming from Biased Data or flawed Algorithms.

“CAO” means the Chief Administrative Officer or their delegate.

“Committee” means the AI Oversight Committee.

“Council” means the Council of the Municipality.

“Data” means any information, including Personal Information, collected, processed, or stored by AI Systems, which can include structured data (e.g., Databases), semi-structured data (e.g., XML files), and unstructured data (e.g., text, images, audio).

“Employee” means any full-time, part-time, temporary, seasonal or contract staff employed by the Municipality as well as its students and volunteers.

“Guidelines” means the Responsible Development, Procurement and Use of AI Guidelines which form part of this Policy.

“Manager” means any Employee that holds the position of Manager.

“Output” means new Data an AI System creates or synthesizes based on Data input into the AI System and the AI System’s Algorithm.

“Personal Information” means Personal Information as defined by the Municipal Freedom of Information and Protection of Privacy Act, R.S.O. 1990, c. M.56.

Policy

Guiding Principles for the Development or Procurement and Use of AI Systems

1. **Transformational:** AI Systems will be used by the Municipality to enhance and improve the quality and efficiency of municipal services. The use of AI Systems should aim to create efficiencies for those who will utilize these advancements. The Municipality will encourage responsible innovation using AI and will adapt as AI and the expectations of the public related to its use evolve.

2. **Valid and Reliable:** The Municipality will strive for the highest possible level of accuracy and reliability of any AI System, functioning to consistently produce results that are true within the AI System's operating parameters. As validity and reliability are key components of a trustworthy AI System, the Municipality will monitor and evaluate AI Systems to ensure correct functioning and to minimize risk.
3. **Safe:** The use of AI must not have the potential to lead to a state in which human life, health, property, or the environment is endangered or the Municipality is placed in the position of legal risk. The Municipality will ensure safe operation of AI Systems through:
 - a) responsible governance and oversight;
 - b) responsible development, procurement and deployment practices;
 - c) providing clear information to Employees, members of Council and members of ABCs on responsible use of AI Systems;
 - d) monitoring, evaluating and documenting risks based on evidence of incidents.
4. **Transparent:** The Municipality will be transparent about its use of AI by providing clear, accessible, and understandable information about the Municipality's use of AI, including the purpose, capabilities, limitations, and Data usage. Except in cases where Transparency is subject to justifiable and proportionate limitations for reasons of security, confidentiality, intellectual property, individuals shall be informed when an AI System has been used or has been a significant factor in a decision affecting them.
5. **Accountable:** Human oversight of AI Systems shall be maintained. Human judgment and oversight will remain central, especially for critical decisions.
6. **Equity and Without Bias:** The AI Systems used will be designed to be free from Bias and not lead to unfair or discriminatory outcomes against any individual or group. Data used to train and operate AI Systems must be accurate, relevant, and representative to minimize Bias and ensure reliable performance. The Municipality will take proactive steps to identify, assess, and mitigate harmful Bias in any AI System. This includes scrutinizing Data for pre-existing Biases, evaluating Algorithm fairness, and implementing Bias mitigation techniques where appropriate.
7. **Explainable and Interpretable:** For AI Systems that make or support decisions with significant impacts on individuals, the Municipality will strive to ensure that the mechanisms underlying an AI System's operation can be explained in understandable terms and its Output interpreted in the context of the AI System's purpose.

8. **Privacy Protected:** AI Systems will be designed and operated in compliance with all applicable privacy legislation and best practices, ensuring the protection of Personal Information. Personal Information collected, used, and retained, if any, shall be the minimum amount necessary to achieve the objective. Personal Information and other sensitive Data used by AI Systems shall be protected to prevent unauthorized collection, use and disclosure in accordance with the Municipality's Privacy Policy and shall be retained and destroyed in accordance with the Municipality's Retention By-law.
9. **Secure and Robust:** AI Systems should be designed to be resilient and, where possible, to fail safely in the event of an attack or malfunction. AI Systems must be secure, robust against threats, and perform reliably and as intended. AI Systems, including the Data they process and the models they use, must be protected by robust cybersecurity measures in accordance with the Municipality's information security policies and standards. This includes protection against unauthorized access, Data breaches, privacy breaches, adversarial attacks, and other cyber threats.

Governance and Oversight

10. The Committee shall be established by the CAO.
11. The Committee shall consist of those members as are appointed by the CAO.
12. The CAO shall establish Terms of Reference for the Committee and such Terms of Reference shall include, but not be limited to, the following responsibilities of the Committee:
 - a) analyzing the assessments required by section 14 of this Policy and making recommendations to the CAO regarding the procurement or development of an AI System and any terms and conditions to be attached to such procurement, development or use;
 - b) making recommendations to the CAO regarding updates and amendments to the Guidelines;
 - c) developing and providing training in connection with this Policy and the Guidelines;
 - d) managing the risk of any approved AI System as required by section 19 of this Policy.
13. The CAO may, in their sole discretion, approve the development or procurement of an AI System subject to terms and conditions, including but not limited to the following:

- a) restricting its use for a specific project, timeline or purpose;
- b) limiting its use to specific Employees, members of Council or members of ABCs; and/or
- c) defining or prescribing the Data that may be entered into or used with the AI System.

Procurement and Development of AI Systems

14. Prior to the approval of the development or procurement of an AI System by the CAO, the following assessments shall be undertaken in accordance with the Guidelines:
 - a) a Needs Assessment;
 - b) a Risk Assessment; and
 - c) a Privacy Impact Assessment, if required.

Use of AI Systems

15. Use of an AI System by any party within the Scope of this Policy is prohibited unless the development or procurement of the AI System has been approved by the CAO.
16. Use of an AI System by any party within the Scope of this Policy is prohibited unless such use is through the Municipality's account or a license issued through the Municipality and with the Municipality's equipment.
17. Employees, members of Council and members of an ABC shall use only approved AI Systems in accordance with this Policy and the Guidelines.

Managing Risk

18. Employees, members of Council or members of an ABC using an approved AI System shall report any concerns or incidents of non-compliance with this Policy or the Guidelines to the Committee in the manner as described in the Guidelines.
19. To manage any risk of use of an approved AI System, the following shall be undertaken by the Committee throughout the lifetime of the AI System:
 - a) **Monitoring and Evaluating:** An approved AI System will be monitored to assess for Bias and to assess performance and continued alignment with this Policy. Evaluations will be conducted regularly to identify and address any unintended consequences or emerging risks.

- b) **Incident Response:** Reported concerns or incidents arising from an AI System shall be investigated and appropriate steps taken in accordance with the purpose of this Policy.
- c) **Training:** Training will be provided to Employees, members of Council and members of ABCs to ensure the effective implementation of this Policy and the Guidelines. Training will be updated regularly to reflect evolving risks and technologies.
- d) **Record Keeping:** Records related to the development or procurement of AI Systems as well as records related to the monitoring, evaluating and responding to incidents shall be maintained in accordance with the Municipality's Records Retention By-law.

References and Related Policies

- Responsible Development, Procurement and Use of AI Guidelines
- Privacy Policy
- Privacy Impact Assessment Policy (in draft)
- Technology and Telephony Acceptable Use Policy
- Code of Conduct - Municipal Staff
- Code of Conduct - Members of Council and Local Boards
- Records Retention By-law

(Report CAO-14-25)

APPENDIX I

Responsible Development, Procurement and Use of AI Guidelines

Responsible Use of AI Policy

You must also review the Municipality's Responsible Development, Procurement Use of Artificial Intelligence Policy as these Guidelines are an extension of the valuable information within that Policy pertaining to expectations for the use of AI generally. In other words, these two documents must be read together. The definitions within the Policy apply to these Guidelines.

Purpose of Guidelines

The purpose of these Guidelines is to provide greater guidance on the appropriate use of AI. These Guidelines provide specific expectations around responsible use of AI Systems as outlined in the Policy.

You should ensure your use of AI and AI Systems is consistent with the expectations outlined in the Municipality's policies, including but not limited to the Code of Conduct - Municipal Staff or Code of Conduct - Members of Council and Local Boards as applicable.

AI Generally

AI can be found in many applications that you use daily, such as spell check, autocomplete, or web-searches.

Generative AI is a class of AI that produce content like text or images based on inputs from the user. Some examples of generative AI tools are ChatGPT (OpenAI), Gemini (Google), and Copilot (Microsoft). These programs are trained on very large quantities of text or images, quickly generating realistic text and images from user input. Generative AI tools are built by training a sophisticated Algorithm called a large language model¹ on a very large volume of data from the internet and other sources. This machine learning Algorithm is designed to find patterns within the Data to predict what outcome satisfies a given question or prompt. They are trained not only on text Data but also images, code, and videos. They also use the information provided in the prompt by the user to train their Algorithm further. The Output of these tools is usually text but can also be images, videos, or files. The underlying Algorithms used in generative AI Systems may also be integrated within other software.

Machine learning is a subset of AI that focuses on Algorithms that identify patterns in Data to make predictions. Instead of being explicitly programmed, machine learning Algorithms analyze large amounts of "training data" to "learn" trends and make informed predictions.

¹ Large language models are complex machine learning Algorithms designed to interpret and generate human language. Large language models are the Algorithms used inside AI chatbots, like ChatGPT. Large language models require computationally intense training on vast amounts of text Data to find patterns in writing, such as what words commonly appear near other words. By identifying these patterns, they can "learn" basic rules of grammar and syntax.

This training process may be done in advance using a fixed database or be continuously “retrained” as new Data is introduced. These Algorithms can find more patterns and improve their performance as they process more Data.

Developing or Procuring an AI System

For the purposes of section 14 of the Policy:

- a) **Needs Assessment:** A Needs Assessment shall be undertaken by the Committee based upon a needs assessment questionnaire which shall:
 - i) be completed by the Committee, or completed by a Manager and submitted to the Committee;
 - ii) define the issue AI is intended to solve and the expected benefits of the proposed AI System;
 - iii) identify who (eg. which Employees, members of Council, members of ABC) will use the AI System; and
 - iv) explain the cost of the system and how it is to be funded.
- b) **Risk Assessment:** A Risk Assessment shall be undertaken by the Committee based upon a risk assessment questionnaire which shall:
 - i) be completed by the Committee, or completed by a Manager and submitted to the Committee; and
 - ii) identify potential risks, including, but not limited to, reliability, safety, Bias, security, privacy and operational risks.
- c) **Privacy Impact Assessment:** In the event that privacy is identified as a risk, a privacy impact assessment shall:
 - i) be completed in accordance with the Privacy Impact Assessment Policy; and
 - ii) submitted to the Committee.

Using AI Systems Responsibly

Once approved for use by the CAO, every Employee, member of Council or member of an ABC working with or alongside an AI System has a role to play in ensuring responsible use. Specifically, such Employees, members of Council and members of an ABC must:

Be Aware of Reliability - Familiarize yourself with the AI System's purpose, intended use, capabilities, and known limitations before using it. Be aware of the Data sources feeding the AI and their potential limitations. Understand what Data it

uses and ensure the Data used is accurate, relevant, and appropriate for the task. Scrutinize the AI System's Outputs. AI can make mistakes and sometimes it hallucinates² new information.

Be Safe – When using AI Systems, handle all Data with the utmost care. Never enter Data that may be subject to solicitor-client privilege, is confidential, is the property of a third-party, or may be otherwise sensitive unless the AI System is specifically authorized by the CAO for this use. Be aware of and comply with intellectual property laws, copyrights, trademarks, and any other applicable intellectual property rights obligations.

Be Transparent – If you are using AI Systems to make assessments or other decisions that impacts another person, let them know that AI was used. Be transparent when using AI Systems in your reports, presentations or in decision-making. You should be clear as to:

- Why you need to use an AI System
- When or at what stage did you use it
- How you used the AI System to produce the Output

Include your process of reviewing and fact checking information generated by AI and what trustworthy sources you used to confirm the Output. At a minimum, cite the source by providing a simple statement like:

“This work was [assisted/created/drafted] by ChatGPT and reviewed by the author. The author takes full responsibility for the content of this document.”

or

“Some segments of this report were assisted by GPT 4 and reviewed, researched, and fact-checked by the author.”

Be Human - Always add the human component to AI. Never solely rely on an AI System for decisions and treat all content generated by AI as a first draft, not a finished product. You must apply your professional judgment and critical thinking by fact checking and reviewing all content generated by an AI System. You are accountable for how you use AI Systems, for the Output you create and for how you use the Output in your work.

Be Aware of Bias - Since the internet contains large quantities of text and images that are biased by race, gender, class, ability status, and more, generative AI tools that are trained on this material risk producing Biased or offensive Outputs. Tools trained on historical Data that reflect past Biased decision making also have the potential to produce Biased Outputs. Similarly, AI Systems may give inaccurate answers to questions, either because they are trained on inaccurate Data, or

² Incorrect or fabricated information, presented as factual, due to the way the AI has been trained and generates Outputs.

because they interpreted training Data incorrectly. Recognize that AI Systems can reflect or amplify existing Biases present in Data or Algorithms. Critically evaluate AI Outputs for potential Bias or unfairness.

Be Able to Explain and Interpret - Be able to explain how an AI System functions and interpret why it generated particular Output so that you can best be able to report any concerns or incidents.

Know that Personal Information is Private – Entering Personal Information into an AI System may cause a privacy breach which exposes the Municipality to risk. Never enter Personal Information into an AI System unless the AI System is specifically authorized by the CAO for this use.

Be Secure - AI Systems are only to be accessed and used through a municipal account, on the Municipality's equipment and only for municipal purposes. Use of an AI System, even if it is an approved AI System, through a personal account on Municipal equipment or for municipal purposes is prohibited.

Escalating Concerns and Reporting Incidents

It is everyone's responsibility to help identify and address potential issues related to AI use. Specifically, in the event that you have a concern that an AI System is or may have the potential to:

- not perform as intended
- include errors
- cause harm
- cause Data security vulnerabilities
- result in unfair or Biased outcomes
- create Output that cannot be adequately explained or interpreted
- result in privacy breaches
- cause any other negative impact

promptly report the issue to the Committee at: AI Oversight@leamington.ca.

Further Information and Support

If you are an Employee and are unclear regarding a specific situation, then you should seek the advice and direction of Human Resources. If you are a member of Council or a member of an ABC you may seek further information from the CAO.