

CORPORATE POLICY



Policy Title:	Artificial Intelligence (AI) Governance Framework
Policy Category:	Administration Policy
Policy No.:	A-046
Department	Corporate Services
Approval Date:	June 8, 2026
Revision Date:	N/A
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Attachments:	TBD
Related Documents/Legislation:	<i>Municipal Freedom of Information and Protection of Privacy Act (MFIPPA), Enhancing Digital Security and Trust Act, 2024</i>
Key words:	Artificial Intelligence, AI, Machine Learning, Automated Decision-Making, Governance

POLICY STATEMENT:

The City of Waterloo is committed to the responsible, ethical, and transparent use of Artificial Intelligence (AI) technologies. This commitment is grounded in the City's obligation to uphold public trust, safeguard the privacy and rights of individuals, and ensure compliance with applicable laws and regulations. AI will be used to enhance service delivery, decision-making, and operational efficiency while ensuring this technology is only used in a manner which is responsible, secure, and fair.

PURPOSE:

The purpose of this policy is to establish high-level principles, governance structures, and accountability measures for the development, acquisition, and use of AI systems in City operations. This policy aims to:

- Ensure compliance with applicable legislation and policies, such as the *Enhancing Digital Security and Trust Act*.
- Support transparent, accountable, and fair AI use.

- Promote human-centered and equitable decision-making.
- Enable the secure, sustainable, and ethical integration of AI technology into City services.

SCOPE:

This policy applies to:

- All City staff, elected officials, contractors, volunteers, and third-party service providers who use or manage AI systems on behalf of the City.
- All AI tools and systems procured, developed, or deployed by the City.
- All use of AI on City devices, systems, and networks.

This policy does not apply to:

- Personal use of AI tools unrelated to City business.
- AI systems operated by third parties without City data or decision-making authority.
- Conventional automation of machinery, equipment, vehicles, building systems, or other physical assets that do not use AI.

DEFINITIONS:

AI Project: Any proposal, initiative, procurement, or implementation involving an AI system to be used for City business.

Artificial Intelligence (AI): Any system or technology that uses algorithms, machine learning, or data modeling to simulate human-like decision-making, generate content, or support prediction and automation.

Bias: In the context of AI, a pattern in data, design, or outputs that may lead to inequitable or discriminatory outcomes.

Fair AI Use: Refers to the use of AI in a manner that does not create or amplify bias, and complies with applicable human rights, accessibility, and fairness obligations.

Human-in-the-loop: Means that a qualified person reviews and can override AI outputs, so the AI does not make or implement decisions on its own.

Machine Learning (ML): A subset of AI that uses algorithms to learn from data and improve performance over time without being explicitly programmed for specific outcomes.

Public AI Tool: An AI service or application made available over the public internet for general use and not provisioned, configured, or governed under a City-approved enterprise arrangement.

Public-Facing System: A digital platform or service that allows members of the public to interact with the City and that may include AI functionality (e.g. web-based chatbots, online application portals).

Sensitive Information: Personal, confidential, proprietary, or regulated data or information that could pose legal, privacy, or reputational risks if disclosed or misused.

Significant Change: A change to an AI system's purpose, functionality, or use case that may alter its risk profile or impacts.

Training Data: The data used to train, retrain, or fine-tune an AI system.

POLICY COMMUNICATION:

This policy will be made available to City staff through the City Website and Intranet. It will be communicated to City staff via regular updates and through responsible AI training coordinated as necessary for new and existing staff.

POLICY:

1. Principles of Responsible AI

The City recognizes that a commitment to the principles of responsible AI is critical to ensuring AI tools are used to support innovation while mitigating against potential risks and failures.

1.1. Human Oversight and Accountability

The City will ensure that meaningful human oversight is maintained in the use of AI.

- AI tools are intended to support, not replace human judgement, professional discretion, and accountability.
- Staff remain responsible for the accuracy, appropriateness, and outputs that are informed or generated through AI systems.
- Where AI is used to inform decisions with legal, financial, employment, or other material impacts, meaningful human review and decision-making must be maintained.
- Staff must apply professional judgement and contextual knowledge to assess whether AI-generated content is truthful, accurate, and appropriate. Where AI is

used to support decisions and deliverables, staff are responsible for verifying AI outputs against authoritative sources and must not treat AI-generated outputs as authoritative without review.

1.2. Transparency

The City will use AI in a manner that supports openness and public trust.

- AI systems shall be designed and implemented in a transparent manner to ensure public trust.
- Where AI technology is used in Public-Facing Systems, the City must provide disclosure to end-users. This disclosure shall take the form of clear, advance notice in plain language which states:
 - That the system includes or is supported by AI
 - If and what types of personal information are being collected or analyzed by AI
 - How the information will be used
- Where AI is used to inform decision-making processes, including where AI is used to generate advice relied upon in the decision-making process, the City must disclose how the AI system operates and how decisions are made to internal and external stakeholders.

1.3. Privacy

The City will use AI in a manner that protects privacy and respects its legal and policy obligations towards personal information.

- Any data processed by or for City staff using AI, whether input or output, must comply with the City's Privacy Protection Program Framework Policy and all applicable corporate policies and procedures. This data remains subject to the *Municipal Freedom of Information and Protection of Privacy Act (MFIPPA)*.
- The introduction of any new AI system or the addition of an AI system to an existing solution shall be contingent upon the successful completion of a Privacy Impact Assessment (PIA) and Security Assessment.
- Staff shall not input any sensitive information into public or third-party AI systems. This includes any data that can identify an individual or any sensitive City information or information shared by other government agencies.

1.4. Security

The City will use AI in a manner that protects the confidentiality and integrity of its information, systems, and services.

- AI systems must be used in compliance with the City's existing information security and acceptable use policies and are subject to a Security Assessment prior to deployment.
- AI systems must not become single points of failure for critical services. Fallbacks or manual workarounds must be available if an AI service fails or must be shut down for security reasons.
- Raising organizational awareness of security threats is paramount. The City will ensure that staff are educated about AI-specific risks.

1.5. Ethical Use

The City will use AI in a manner that is fair and responsible.

- Staff must consider the social and cultural impacts of AI prior to deployment and take steps to mitigate undesirable consequences. Potential harms must be identified and mitigated through proactive design, testing, and monitoring.
- AI systems may generate outputs that reflect historical biases and stereotypes present in their data. Staff using AI to process human-focused data must consider potential impacts on different populations and, where there is a risk of inequitable or discriminatory outcomes, consult relevant subject matter experts.
- Staff shall identify, assess, and mitigate biases in AI systems and outputs to ensure the equitable and fair treatment of individuals and communities.
- AI systems must be used and deployed in a manner that is cognizant and respectful of all potential impacts to human rights, dignity, and the public interest.

1.6. Justifiable and Proportionate Use

The City will use AI only where its use is justified by clear business needs and proportionate to the risks and impacts involved.

- AI should only be adopted where there is a clear and documented rationale for its use and where non-AI alternatives have been considered.
- The decision to employ an AI system shall be based on a demonstrated understanding of the business need, desired outcomes, and potential alternatives, rather than the novelty or availability of the technology.

- AI solutions shall be proportionate to the scale, sensitivity, and risk of the problem they are intended to address. The level of data collection, use, disclosure, retention, storage, and automation shall not exceed what is reasonably required to fulfill the stated purpose.
- AI systems shall be periodically reviewed to confirm that their continued use remains necessary, appropriate, and proportionate.

1.7. Lifecycle Management of AI Systems

The City will manage AI systems over their full lifecycle, from proposal and acquisition through implementation, monitoring, review, and retirement.

- AI systems will be reviewed periodically to confirm they remain necessary, effective, and justifiable.
- AI systems that are obsolete, non-compliant with City policies and procedures, or determined to present an unacceptable level of risk or harm will be reviewed and may be modified, suspended, or decommissioned, with due consideration towards operational needs and available mitigation measures.
- When an AI system is retired, the responsible business area shall ensure that all required documentation, configurations, datasets, and logs are retained or disposed of in accordance with the City's Records Management Program, Retention By-law, privacy obligations, and information security requirements.

2. Governance and Oversight

The City will maintain a governance framework for the responsible use of AI. This framework will be led by an AI Governance Subcommittee to provide oversight, advice, and review in relation to the acquisition, development, deployment, use, monitoring, and retirement of AI systems used for City business.

The AI Governance Subcommittee is responsible for the following core functions:

2.1. Policy Oversight

- Provide advice on the implementation and administration of the City's AI governance framework.
- Review and recommend updates to this Policy and related procedures as needed to address new risks, technologies, or regulations.
- Support consistent interpretation and application of this Policy across the organization.

2.2. Review and Endorsement

- Review AI Projects and Significant Changes to existing AI systems prior to acquisition, development, or deployment.
- Apply a risk-based approach to the review of AI Projects, with consideration of privacy, security, bias, accessibility, legal compliance, operational impact, and proportionality of use.
- Endorse AI Projects, recommend revisions, or refer matters to DTSC or other appropriate authority in accordance with applicable procedures.
- Maintain an inventory of AI systems in use, including their purpose, responsible business area, and such other information as may be required to support accountability, oversight, and compliance with applicable law, regulation, and City policy.

2.3. Monitoring and Compliance

- Monitor the performance and impacts of AI systems in use, including through reviews, assessments, or audits where appropriate.
- Participate in or support existing corporate incident, breach, and investigation processes where incidents involve AI, including reviewing the AI-specific impacts or governance implications of such incidents.
- In cases of non-compliance recommend corrective actions or refer matters to senior management in line with City policy.

2.4. Support and Training

- Provide guidance to City staff on the responsible acquisition and use of AI.
- Support education and awareness activities respecting AI-related risks, legal obligations, and best practices.
- Support AI literacy and staff adaptation by providing practical guidance on responsible, effective, and appropriate AI use.

2.5. Transparency and Public Engagement

- Support public communication regarding AI systems in use where appropriate and subject to legal, security, and operational considerations.
- Support the City's approach to transparency regarding the use of AI in City operations and services.

3. Roles and Responsibilities

3.1. CAO and Corporate Management Team

- 3.1.1. Provide executive sponsorship for the City's responsible use of AI across the City;
- 3.1.2. Establish and maintain the AI Governance Subcommittee;
- 3.1.3. Support the implementation of this Policy and related procedures across the organization;
- 3.1.4. Make decisions on high-risk or escalated AI proposals as identified through the Artificial Intelligence Project Review Procedure, based on recommendations from the AI Governance Subcommittee;

3.2. AI Governance Subcommittee

The AI Subcommittee, as a subcommittee of the Digital and Technology Steering Committee (DTSC), will:

- 3.2.1. Oversee the implementation of the Policy and provide advice and recommendations on responsible AI practices across the City;
- 3.2.2. Review AI Project proposals in accordance with the Artificial Intelligence Project Review Procedure and provide endorsements or recommendations where appropriate;
- 3.2.3. Maintain an inventory of AI systems in use for City business;
- 3.2.4. Review information relating to AI-related incidents, non-compliance, and emerging risks, and recommend corrective action or escalation where appropriate;
- 3.2.5. Develop content promoting staff awareness and training on responsible AI;
- 3.2.6. Own and maintain this Policy, and develop, draft, and maintain related procedures and guidance necessary to support its implementation.

The committee's specific mandate, membership, and other particulars will be defined in the Terms of Reference.

3.3. Directors and Managers

- 3.3.1. Ensure all AI systems used within their service areas comply with the Policy and related procedures;
- 3.3.2. Ensure required reviews, assessments, and approvals are completed prior to implementation, as appropriate;

- 3.3.3. Designate a project owner for each approved AI system;
- 3.3.4. Support the maintenance of the City's AI inventory by providing accurate and updated information on AI systems used in their areas;

3.4. Legislative Services, Information Security, and Privacy

- 3.4.1. Coordinate Privacy Impact Assessments (PIA) and Security Assessments for proposed AI systems;
- 3.4.2. Ensure AI systems and related data practices comply with MFIPPA and all City privacy and security policies and procedures;
- 3.4.3. Receive and investigate privacy and security complaints or incidents involving AI;

3.5. Information Technology Services (ITS)

- 3.5.1. Provide technical guidance to departments on integrating AI solutions;
- 3.5.2. Support the AI Governance Subcommittee with technical analysis of proposals and ongoing monitoring of AI system performance and security;

3.6. City Staff

- 3.6.1. Comply with the Policy, related procedures, and any guidance from the AI Governance Subcommittee when using AI tools for City business;
- 3.6.2. Exercise appropriate human judgement when using AI outputs, and ensure that AI is being used responsibly;
- 3.6.3. Complete required training on responsible AI use, and seek guidance when unsure about acceptable uses of AI;

4. Rules and Procedures

The City will maintain supporting rules, standards, and procedures to implement this Policy. These may address, as applicable:

- Procedures and guidelines for the use, procurement, and implementation of software and systems which use AI.
- Establishing AI risk categories, assessment criteria, review requirements, and escalation pathways for potential AI Projects.
- Training, monitoring, audit, and incident reporting requirements.
- The review, modification, suspension, retirement, and decommissioning of AI systems.

COMPLIANCE

In cases of policy violation, the City may investigate and determine appropriate corrective action.