



[This is an English version of the report originally transmitted in French to Montréal City Council on May 28, 2018]

**Report of the Inspector General  
of *Ville de Montréal* on  
the awarding of contracts as part  
of the Formula E race  
(57.1.23 *Charter of Ville de Montréal,  
metropolis of Québec*)**

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## SUMMARY

*This report covers the process followed by the City for contract awarding as well as the observance of contractual rules regarding the Formula E event held in Montreal on July 29 and 30, 2017.*

*Ville de Montréal decided to hold a Formula E (FE) race as part of the City's 375th anniversary. To this end, a series of meetings bringing together the mayor of Montréal, other City employees, a representative of Evenko, and representatives of Formula E Operations (FEO) and the Fédération internationale de l'automobile (FIA) took place to finalize the project to bring an FE race to the streets of Montréal. This began in March 2015, when the mayor, together with his senior adviser and Tourisme Montréal's President, attended an FE race in Miami and met with FEO representatives to initiate talks.*

*Upon his return from Miami, the mayor asked the Deputy Director General of Ville-Marie borough to examine the possibility of making an FE racetrack with a target time frame of 2016, which was postponed to 2017.*

*Given the nature of the race, the event could not be held at the Gilles Villeneuve circuit due to specific requirements; therefore, downtown was the chosen location. The race was informally announced by the mayor on May 26, 2015 during a press briefing.*

*In fulfilling its responsibilities, the City then had to issue several calls for tenders:*

*Call for tenders VMP-16-023 for road resurfacing, launched on June 22, 2016, awarded for 4.4 million CAD;*

*Call for tenders VMP-16-029 for the purchase of temporary concrete barriers and protection elements, launched on October 17, 2016, awarded for 7.5 million CAD;*

*Call for tenders VMP-16-030 for track assembly and dismantling, launched on October 9, 2016, awarded as a 3-year contract with a possible extension of 3 years for 8.9 million CAD.*

*In fact, the Inspector General had to examine some of these contracts. As early as summer 2016, a denunciation was made to the Office of Inspector General regarding call for tenders VMP-16-023, and another denunciation arose in fall 2016 regarding call for tenders VMP-16-029. After analyzes and requests for clarification from authorities responsible for these contracts' awarding, the process could continue as everything was in accordance with contractual rules.*

*As for the event's promotion and organization, this report shows that the City had several options ranging from the conclusion of a contract with a private promoter to the creation of a nonprofit organization. It is in this regard that the Inspector General intervenes in this report. The Inspector General is of the view that the City broke the legislative framework in awarding of the contract for the event's promotion and organization. Indeed, the mayor personally contacted a private promoter, in this case Evenko, to have him take part in the Montréal FE project and help make the event a great success.*



*Evenko participated in meetings with Ville de Montréal and FEO as early as September 2015 regarding holding of the event. Evenko even signed a confidentiality agreement required by FEO, of which the Inspector General received a copy.*

*From the start, Evenko was not confident that the FE project would be profitable and was aware that its concept would be hard to sell. Evenko thus conducted several financial analyses, and the results indicated that, no matter the scenario projected, the FE project was foreseen as facing a large shortfall. The figures were estimated to be between 11 million and 20 million CAD for each of the first 3 years. These financial analyses were sent to the mayor's senior adviser so that the cabinet would be informed of the risk associated with the race. Evenko decided then not to act as the event's promoter.*

*The mayor and his cabinet were nevertheless confident that subsidies from the provincial and federal governments would be awarded and insisted on maintaining Evenko in the project. Since legally, such subsidies can only be granted to an NPO, the cabinet decided to create one in order to facilitate financing, even before any confirmation of funding from the different levels of government.*

*In this regard, the City Legal Department repeatedly formulated caveats to the mayor's office maintaining that if an NPO was created, its mission had to be larger than the FE project and it had to be more than a channel between the City and the organizer of the race. Furthermore, the NPO could not be used to transfer subsidies to the private company.*

*Montréal, c'est électrique (MCE) is the NPO that was formed on October 14, 2016, registered in the Enterprise Register of Québec on October 21, 2016 with a mission to promote electric transportation and organize the FE race in Montréal. However, the investigation revealed that all MCE activities were built around the FE project, and it appears that, had it not been for the race, MCE would probably never have been created.*

*On October 21, 2016, the mayor held a press conference during which he announced the FE race would take place on an urban track. Neither MCE Director General nor MCE Executive Board Chairman participated in negotiations of the contract between the organization and FEO. It should be noted that MCE Executive Board Chairman was appointed in September 2016, while MCE Director General was hired on October 16, 2016.*

*Despite the recommendations of a member of the City Legal Department, the mayor's cabinet did not allocate the necessary independence to the NPO it had created. The investigation showed just the opposite in the sense that the mayor's cabinet kept a check on MCE's decisions, including the selection of its Director General and Executive Board members.*

*The mayor's cabinet even prepared letters for subsidies requests to the other levels of government. For the rest of everyday operations, duties associated with the promoter's role were performed by Evenko.*

*Another important contract negotiated mostly by the mayor's cabinet, and not by MCE, was that involving Evenko as a provider of the local promoter responsible for the event's*



*organization with MCE. Essentially, the contract provides that Evenko takes on all the responsibilities related to the race's management and organization.*

*Evenko thus realizes ticketing, subsidies' management, programming and production of all the events relating to the race, marketing, promotion, and communications. Besides, Evenko is responsible for commercialization, sales, underwriting of insurance policies, and obtaining licenses and permits as well as any other authorization required for the event.*

*All management fees are charged to MCE. The contract provides 2 million CAD in management fees, a bonus of 500,000 CAD, and a percentage of 20% on subsidies. To these fees are added the re-invoicing of three (3) employees' salary, who were hired by Evenko specifically for the FE project.*

*As declared by Evenko: [TRANSLATION] "MCE was an organization with one employee who needed a machine to do promotion".*

*MCE ceased operations on February 5, 2018.*



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## 1. Scope and extent of the work

### 1.1. Specifications

Pursuant to section 57.1.8 of the *Charter of Ville de Montréal, metropolis of Québec* (R.L.R.Q. c. C-11.4) (hereinafter: *Charter of Ville de Montréal*), the Inspector General's mandate is to oversee contracting processes and the carrying out of contracts by the City or by a legal person related to the City.

The Inspector General elected to use section 57.1.23 al. 2 of the *Charter of Ville de Montréal*, which gives him the power to send, at any time, to the City Council any report presenting findings and recommendations that warrant being brought to its attention.

### 1.2. Warning

The Office of Inspector General and the Office of Auditor General of *Ville de Montréal* have separately undertaken work on the Formula E (FE) event. In order to avoid duplication of roles and tasks, the two offices shared their objectives and specified in the context of this mandate their respective jurisdiction.

The Inspector General does not conduct criminal investigations, but investigations of an administrative nature. In this report, each time the term “investigation” is used, this refers to an administrative investigation and should in no way be interpreted as referring to a criminal investigation.

### 1.3. Standard of proof

The Inspector General constrains himself to produce quality reports that are objective, accurate, and timely and that are presented in such a way as to enable the persons and organizations over which he has jurisdiction to take action on the basis of the information they contain.

Consequently, to support his opinions, reports and recommendations, the Inspector General sets as burden of proof the civil standard of a preponderance of evidence.<sup>1</sup>

## 2. Preliminary remarks

### 2.1. Notice to Interested Parties

The Inspector General investigated the awarding of contracts and observance of contractual rules in the context of the FE race event in Montreal.

Before making public the results of his investigation, and in accordance with his duty of procedural fairness, the Inspector General transmitted to each of the parties concerned a Notice to Interested Parties (hereinafter: Notice).

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<sup>1</sup> If there is evidence to say that the existence of a fact is more probable than its non-existence, there is a preponderance of evidence (see section 2804 of the *Civil Code of Québec*).



On March 7, 2018, the mayor of Montréal, his senior adviser, directors of MCE, Evenko representatives and FEO representatives each received a Notice indicating the relevant facts gathered during the course of the investigation, to enable them to take cognizance of these facts, but also provide their comments and representations in writing to the Office of Inspector General.

The same day, for the same purpose, an identical version of the Notice was sent to the different business units of *Ville de Montréal* involved in the file, namely the City Executive Management, the Directorate-General of Ville-Marie borough and the City Legal Department.

In the days following sending of the Notice, the Inspector General received answers from these parties and *Ville de Montréal* business units. The facts and arguments cited were considered by the Inspector General and addressed in this report.

## 2.2. Glossary

For the sake of conciseness, the Inspector General deems appropriate to establish a glossary of certain terms which are used on a recurring basis in this report.

From the outset, the Inspector General emphasizes that each time he will make reference to Denis Coderre, this will be relating to actions taken as mayor of Montréal. Similarly, any reference to the mayor of Montréal and to the mayor's cabinet will concern Denis Coderre and his cabinet, and no other administration. As well, each reference to Marie-Josée Reid will relate to actions taken as senior adviser to the mayor of Montréal. Consequently, each reference to the mayor's senior adviser will concern Marie-Josée Reid only. For Alain Dufort, although he serves both as Deputy Director General of Ville-Marie borough and of Boroughs' consultation, this report will refer to him as Deputy Director General of Ville-Marie borough.

The following table shows the abbreviations used throughout the report.



Terms and abbreviations used	Meaning
FE	Formula E (the Electric Street Racing Series)
NPO	Nonprofit organization
MCE	<i>Montréal, c'est électrique</i>
FEO	Formula E Operation Limited
DDG	Deputy Director General
CLD	City Legal Department ( <i>Service des affaires juridiques de la Ville de Montréal</i> )
DEP	Public Events Department ( <i>Division des événements publics</i> )

### 3. Scope of the investigation

The Inspector General was granted the mandate to oversee *Ville de Montréal's* contracting processes to ensure integrity, as well as observance of the rules governing public contracts' awarding.

In the context of the FE event, the Inspector General had to examine contracts' awarding following denunciations regarding a contract for road resurfacing awarded in June 2016 (call for tenders VMP-16-023) and a contract for the supply of track protection elements awarded in September 2016 (low walls fitted with grid; call for tenders VMP-16-029). In both cases, the Office conducted an analysis of the facts reported in the denunciation and requested clarifications from the project manager of the business unit concerned. The conclusion in both files was that the contracts' awarding was in accordance with contractual rules' requirements, and the contracts thus proceeded.

Municipalities have a legal duty to proceed by public calls for tenders for contracts whose expenditure exceeds 100 000 CAD, while NPOs are granted an exception in this respect, conditional to the provisions of the *Act mainly to recognize that municipalities are local governments and to increase their autonomy and powers* (2017, chapter 13)<sup>2</sup>.

<sup>2</sup>Some organizations are now subject to the provisions of the *Cities and Towns Act* establishing contractual rules of municipalities. This is the case for organizations qualified as representatives or agents of a municipality, those whose Executive Board is composed mainly of members of a municipal council or appointed by a municipality, bodies whose budget is adopted or approved by a municipality or whose financing is covered, by more than 50%, by funds from a municipality if their income is at or above 1 million CAD, and specifically designated bodies by the Minister of Municipal Affairs and Land Occupancy.



In this context, the Inspector General also looked into the creation by *Ville de Montréal* of the NPO "*Montréal, c'est électrique*" (MCE).

After reviewing all the elements gathered during the investigation, the Inspector General questioned the circumstances surrounding award of the contract between MCE and its service provider Evenko. To this end, the Office of Inspector General met with 24 witnesses and analyzed more than 1,200 documents.

The mayor's cabinet justified the creation of an NPO by indicating that there would be a 'wall' between *Ville de Montréal* and the organization. In doing so, the mayor's cabinet would not be in a position to administer MCE's affairs or to choose its service providers.

At the end of this investigation, the Inspector General is of the view that this wall never existed in practice and, consequently, that MCE proved to be, as regards the FE file, an extension of *Ville de Montréal*.

An informed observer can reasonably believe that MCE was used as a vehicle for the mayor's cabinet to directly award a contract to Evenko and to evade its obligation to proceed by way of a public call for tenders.

## 4. Facts revealed during the investigation

### 4.1. Context of the Formula E race's arrival in Montréal

It was towards the end of 2013 that the project of holding an FE race in Montréal began to be discussed within the mayor's cabinet. For the mayor of Montréal, who had just been elected at the time, this project was part of a vision to develop transport electrification in Montréal.

When he met with the Office of Inspector General, the mayor explained that it was an initiative on his part because of the uncertainty surrounding *Grand Prix du Canada's* future in Montréal. Indeed, at the time, the lack of agreement between levels of government concerning the event's public funding in particular jeopardized the objective of keeping the Formula 1 race in Montréal. In this context, the FE race was seen by the mayor of Montréal as another motorsport option.

The mayor also stated that starting from 2014, he wanted to explore transport electrification opportunities to position Montréal as a reference city and an innovation hub regarding electric transportation, in order to reduce urban transport's ecological footprint on the level of greenhouse gases.

For her part, the mayor's senior adviser specified that the mayor wanted to enter early in the FE movement to be able to negotiate better contractual terms.

The FE Championship is owned by the *Fédération internationale de l'automobile* (FIA). FIA has assigned all commercial and media rights for the promotion, organization, operation and management of the FE Championship to Formula E Holdings Ltd. (FEH), who, in turn, has assigned them to Formula E Operations Limited (FEO). FEO is thus the exclusive promoter of the FE Championship, and may also subcontract races' promotion

and organization to a third party, identified by contracts concluded by FEO as the event's local promoter.

The mayor of Montréal's senior adviser stated to the Office of Inspector General that from fall 2014, meetings and discussions were held with the leaders of FEO and the FIA with the purpose of getting Montréal interested in holding an FE race. Indeed, FEO leaders confirmed that a meeting was organized in August 2014 to present the FE Championship to *Ville de Montréal* and check if it wished to become candidate to hold a race.

As part of his thinking process, the mayor of Montréal attended the FE race which took place in Miami in March 2015. Together with his senior adviser and *Tourisme Montréal's* President, the mayor travelled to Miami as part of an economic and political mission to make connections for Montréal's development. He admitted he took this opportunity to attend the FE race and to meet with FEO representatives, and that he started discussions to position Montréal as a destination for this new form of racing.

The Decision Summary prepared to ratify the mayor's travel expenses incidentally indicates that the discussions were to begin negotiations so that Montréal would join the FE races' network as soon as 2016.<sup>3</sup>

Upon his return from Miami, the mayor of Montréal asked the Deputy Director General (DDG) of Ville-Marie borough to examine the possibility of building an FE racetrack with a target time frame of 2016. The latter emphasized to the Office of Inspector General that he managed to convince the mayor to extend the deadline to 2017, since it was impossible to deliver a track within such a short time. Meanwhile, the mayor assigned the FE race project's responsibility to his senior adviser.

When he met with the Office of Inspector General, the mayor contended that he saw himself as a facilitator, a mediator. He said that it was not for him to settle the details of the project and that he mentioned to his senior adviser that everything should be done according to the rules.

On May 26, 2015, the mayor announced during a press briefing that Montreal would host an FE race and that he was engaged in direct negotiations with FEO. On October 21, 2016, the mayor revealed that the FE race would take place on an urban track in downtown Montréal in summer 2017.

#### **4.2. Business model chosen by FEO for Montréal's race**

Before turning to the FE file's progress, the Inspector General sees fit to clarify the business model adopted by FEO as regards Montréal.

In some cities such as Paris and New York, FEO takes care of the FE races' promotion and all of the event's organization. This is a "turnkey" model where public investment is reduced. In such a scenario, FEO takes on the role of promoter, bears all the risks inherent

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<sup>3</sup> Decision Summary 1150843004.



to the event, including financial responsibility, and cashes most of the revenues associated with the race, including from ticket sales and sponsorships.

However, this model was not adopted in Montréal's case. FEO rather required that a local promoter take care of the race's organization and pay it as compensation for the race's rights. The mayor's senior adviser indicated to the Office of Inspector General that, in Montréal's case, FEO wanted not only to have a promoter organize and deliver the FE race, but also "dress" the event with activities and kiosks.

FEO leaders recounted that the business model adopted varies according to local interest in the FE, local authorities and investors' participation, races already scheduled, and geographical considerations. One notes that FEO acts as the event's promoter when it takes place in Europe, but rather uses a local promoter when the event takes place in North America. When FEO chooses the model in which a third party acts as local promoter, the rights and obligations vested in it are negotiated on a case by case basis.

During its investigation, the Office of Inspector General asked FEO representatives if they had considered choosing the "turnkey" model for the Montréal race. Their answer was that FEO would not have agreed to act as the event's promoter, as FEO did not see Montréal as a strategic city likely to improve the FE Championship's visibility, such as London or Paris. They explained that *Ville de Montréal* simply did not qualify for FEO to become the event's promoter.

FEO representatives emphasized that they were aware that the FE race in Montréal would likely be in deficit from a financial point of view, for several years. Section 6.1.1.3 of this report discusses the fact that this was also Evenko's assessment, initially approached by the mayor of Montréal to become the local race promoter.

Although FEO representatives suggested that financial losses would be absorbed gradually through the years, as the event's organization would become more effective, they stated that, if not for the contract negotiated with *Ville de Montréal*, they would not have agreed to hold an FE race in Montréal. The Inspector General notes that the contract being referenced is the local promoter contract between FEO and MCE which is addressed in section 6.3.3 of the report.

## 5. Legal framework for contract award

The *Municipal Aid Prohibition Act* (RLRQ, cI-15) stipulates in its first section that, no municipality shall, directly or indirectly assist a commercial establishment by giving or lending money or in giving the use of any immovable, subject to exception. A municipality may not therefore subsidize a private company conducting commercial activity, subject to exception.

However, a municipality may grant a subsidy to an NPO. Thus, in their respective areas of jurisdiction, the City Council, the Agglomeration Council and the various borough councils of *Ville de Montréal* can provide financial assistance or in the form of goods or services to an NPO.

A municipality may even itself create an NPO for organizing and promoting leisure or other activities, and entrust it with the planning and management of activities related to the organization's mission<sup>4</sup>. The organization created can then receive financial assistance from the municipality to fulfill its mission.

Nevertheless, even in cases where a municipality grants a subsidy to an NPO it has itself created, the NPO is considered a third party, a separate, independent and autonomous entity that should not be run by the municipality. It is therefore important to create a wall between the municipality and the NPO so that it cannot control the NPO or interfere in the management of its affairs.

By granting a subsidy and concluding an agreement in this regard, a municipality agrees to assist an NPO with a contribution, whether financial or in the form of goods or services, especially to support the realization of its mission, a specific project or an activity. The agreement specifies the purpose for which the subsidy is paid, accountability mechanisms, and terms of payment of the financial contribution. The only thing a municipality may require is for an NPO to create and fund an accountability structure to ensure that the contribution made is used in accordance with the agreed objective.

The subsidy contract is different from the service contract in that the subsidy agreement aims to help a third party to undertake their project, while the essence of a service contract is to obtain the provision of goods or services, which was commissioned and which is the subject of compensation. In the first situation, the municipality is acting as a sponsor to support the NPO's project, which is developed and managed by the NPO, while in the latter situation, the municipality is acting as a client who requested the NPO to provide a service defined by the client. The subsidy is thus characterized by the liberality intention underlying the project.

In a service contract, it is normal for the municipality to interfere with the delivery of goods or services required of the NPO, as it is a client and is therefore involved in the description of deliverables that it demands in exchange of the compensation offered. However, when a municipality pays a subsidy to an NPO, the latter has the freedom to run as it wishes as regards the project, since it is its own project and the municipality is only financially supporting the project put forward by the NPO. Generally, the NPO is the one soliciting the municipality to obtain funding for its project. Still, this does not prevent a municipality from initiating the project being subsidized; but, the municipality must then keep a distance from the project. It is for the NPO to make the decisions, to develop and manage the project.

The subsidy agreement and the service contract are thus two (2) separate concepts that cannot overlap. They are parallel systems with their own rules.

If the City enters into a contractual relationship with the NPO, the latter must perform the contract itself, while if the City grants a subsidy to the same NPO, the latter can enter into a contractual relationship with other persons or entities.

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<sup>4</sup> Municipal Powers Act, R.L.R.Q., c. C-47.1, art. 93.



## 6. Analysis

To create the FE's event, there were three possible scenarios for *Ville de Montréal*:

- 1- A local promoter approaches *Ville de Montréal* with plans to organize the FE and *Ville de Montréal* subsidizes the NPO created by the promoter.
- 2- The City finances the event and enters into a contractual relationship following a call for tenders for the event's creation.
- 3- The City grants a subsidy to an NPO it creates for organizing the event.

The Inspector General analyzes here each of these scenarios specifically mentioning the ins and outs for each of them.

### 6.1. Scenario 1: A local promoter approaches *Ville de Montréal* with plans to organize the FE and *Ville de Montréal* subsidizes the NPO created by the promoter.

It is relevant to mention that the model chosen by *Ville de Montréal* to present the FE race was not the one that seemed to have been preferred at the beginning of the project. Indeed, a private company, through the creation of an NPO, could have received City and government subsidies. According to this model, financial risk would have been entirely borne by the company and not by *Ville de Montréal*.

#### 6.1.1. Mayor of Montréal's initial choice for the race's local promoter

##### 6.1.1.1. Evenko was approached by the mayor

The investigation of the Office of Inspector General revealed that, after his initiative to organize an FE race in Montréal, the mayor personally contacted Evenko's President to have him participate in the Montréal FE project and help make the event a great success. When he met with the Office of Inspector General, Evenko's President placed the time of this call in fall 2015.

The investigation also allowed to learn that it was the mayor of Montréal who introduced Evenko representatives to those of FEO when the latter were in Montréal in September 2015 to discuss the holding an FE race.

The mayor's senior adviser stated that FEO representatives actually came to meet the mayor's office in September 2015 and that it was at that time that Evenko started to be involved in the file. She confirmed that it was the mayor who introduced Evenko representatives to those of FEO in October 2015.

For his part, the mayor of Montréal admitted having introduced Evenko to FEO, but denied having chosen the race's promoter. He stressed nonetheless that, when he introduced Evenko's President to FEO leaders, it was to ensure a chance that the best company could act as promoter. Indeed, FEO representatives mentioned to the Office of Inspector General that when they met the mayor of Montréal in September 2015, he advised them that he was in communication with Evenko, who was the proposed promoter to organize the FE race.

Immediately after this first visit to Montréal, FEO event manager suggested to the DDG of Ville-Marie borough and the mayor of Montréal's senior adviser to plan a second meeting with the mayor and the local promoter in Montréal in early October 2015. A few days later, FEO event manager transmitted to the DDG of Ville-Marie borough a confidentiality agreement to be signed by the local promoter. This agreement was forwarded the same day to Evenko's President by the DDG of Ville-Marie borough. The next day, the DDG informed FEO event manager that Evenko was the potential promoter of the FE in Montréal and that the company would send him the confidentiality agreement once signed. A document obtained by the Inspector General from the mayor's senior adviser shows that she herself identified Evenko as the event's promoter from October 1, 2015.

The evidence obtained by the Inspector General in the context of his investigation proves that a dinner bringing together the mayor of Montréal, his senior adviser, the DDG of Ville-Marie borough, and representatives of FEO and Evenko (including the company's President) took place on October 5, 2015. The mayor and FEO representatives confirmed to the Office of Inspector General that this dinner was held and that they were present. A work session then took place between FEO and Evenko on October 7, 2015.

The DDG of Ville-Marie borough recalled that meetings took place at Evenko's offices and that, at that time, there was a "great possibility" that Evenko would become the local promoter. The investigation also showed that at that time, FEO's understanding was that Evenko was considering the possibility of becoming Montréal FE race's promoter.

In December 2015, another important meeting was held, attended by the mayor's senior adviser, the DDG of Ville-Marie borough, the CLD counsel in charge of the FE file, Evenko's President and other representatives of the company. The CLD counsel mentioned to the Office of Inspector General that this meeting aimed to confirm Evenko's interest in taking charge of the race's organization.

In March 2016, the CLD designed a preliminary diagram showing the contractual structure adopted for the Montréal FE race project, responding to a request from the mayor of Montréal's senior adviser. The CLD counsel in charge of the file specified that Evenko's name appears on the diagram prepared as it was the promoter the administration wanted for the event. He added that this name was given to him by the mayor of Montréal's senior adviser.

Still in March 2016, FEO representatives invited, among others, the mayor of Montréal's senior adviser, the DDG and a manager of Ville-Marie borough, as well as representatives of Evenko, including the company's President, to attend the FE race taking place in Paris on April 23, 2016.

According to the information obtained by the Inspector General, this trip was meant to help City representatives get a better understanding of the technical challenges regarding assembly and dismantling of the track, and management of traffic restrictions, as well as to confirm Evenko's interest in the FE race. Indeed, Evenko's President explained to the Office of Inspector General that this trip was an opportunity for the company's representatives to observe the race's proceedings and added that, although Evenko had not yet been mandated to organize the race, its participation in this trip confirmed its interest to do so.



Thus, it appears from all the facts gathered during the investigation by the Office of Inspector General that, as early as September 2015, Evenko was seen as the race's prospective local promoter, and that this was the manifest will of the mayor of Montréal and his cabinet.

The investigation conducted by the Office of Inspector General demonstrates that, other than Evenko, no other promoter was contacted by the mayor or his cabinet relating to the FE race in Montréal.

Yet, from 2015, that is to say even before approaching Evenko's President, the mayor of Montréal had been informed that another promoter showed interest in organizing the race. The investigation in fact revealed, as detailed in the next section, that the mayor excluded this promoter from the possibility of organizing the event and required that FEO representatives trade only with his cabinet, when they had already initiated discussions with this other promoter.

#### 6.1.1.2. Another event promoter showed interest

In April 2015, another event promoter solicited a meeting with FEO leaders to express its interest in becoming the race's local promoter in Montréal. A meeting between this promoter and FEO took place in May 2015 during the FE race in Monaco. This promoter stated to the Office of Inspector General that he met with FEO even manager, its President, Vice-President and Head of Legal Department. He even signed the confidentiality agreement required by FEO to continue discussions about the FE race in Montréal. The Inspector General notes that it is the same confidentiality agreement which was signed in October 2015 by Evenko's President.

On May 13, 2015, the mayor of Montréal was informed of this meeting by FEO business development manager. The mayor, through his senior adviser, retorted that he had not considered local promoters yet and that he wished to be the single point of contact with FEO. FEO business development manager agreed to this request and confirmed that all discussions regarding the FE race would be carried out with the mayor and his cabinet from then on.

On May 18, 2015, the promoter in question was advised of the mayor of Montréal's decision by FEO Vice-President. Consequently, all discussions regarding the FE race would be only between the mayor, his cabinet and FEO.

Towards the end of August 2015, upon learning that FEO representatives would be in Montréal in September, the promoter in question reached out, again, to the mayor's cabinet to suggest organizing a meeting and reiterated his interest regarding the event to FEO Vice-President. The latter then replied that the mayor's cabinet was their sole interlocutor and was in charge of the race's organization. For its part, the mayor's cabinet answered the promoter that they would follow up on his request in due course.

During his stay in Montréal, FEO event manager nevertheless agreed to meet with the promoter. It was during this meeting that the promoter learned that FEO event manager had already been introduced to Evenko representatives by the mayor of Montréal.



When she met with the Office of Inspector General, the mayor's senior adviser claimed that FEO did not want to deal with the other promoter who had expressed its interest in organizing the event. As regards the mayor, he admitted that Evenko was involved in the FE file since 2015 and that it was him who had introduced Evenko representatives to those of FEO, but he denied having chosen the promoter and stated that it was FEO who took a leading role in this regard. However, the facts of the case revealed by the investigation demonstrate that FEO had started discussions with another promoter and that it was following his request that these talks were stopped. Besides, FEO representatives pointed out that it was in September 2015 that they were informed for the first time of Evenko's existence.

#### 6.1.1.3. Evenko declined to take on the role of local promoter

Although Evenko expressed an interest to act as the event's promoter, the company was aware that the concept would be difficult to sell and was not confident that the FE race would yield profits. Financial analyses were thus conducted to assess the event's potential profitability.

Evenko's President mentioned to the Office of Inspector General that upon his return from Paris at the end of April 2016, he reworked the project's financial analysis. The elaborate analysis includes three (3) scenarios: a pessimistic scenario, a realistic scenario and an optimistic scenario.

No matter the scenario projected, the financial analysis prepared by Evenko revealed that the FE race would face a large shortfall. The figures were estimated to be between 11 and 20 million CAD for each of the first three (3) years. Calculations were not based on ticket sales and sponsorships, and did not take into account costs associated with track delivery, nor subsidies expected by the mayor's cabinet, since it was not Evenko's responsibility to obtain these subsidies.

The Office of Inspector General obtained a copy of the financial analysis chart done by Evenko. It summarizes the data presented by Evenko according to two (2) assumptions. In the first case, race cars' travel costs are borne entirely by Montréal, while in the second case, travel costs are shared equally with the next host city according to FEO's schedule.



	Year 1	Year 2	Year 3
<i>Without sharing of the cars' travel costs</i>			
<b>Optimistic Scenario</b>	(14,506 CAD)	(13 995 530 CAD)	(14 061 422 CAD)
<b>Realistic Scenario</b>	(17 456 375 CAD)	(17 050 402 CAD)	(17 466 800 CAD)
<b>Pessimistic Scenario</b>	(20 490 553 CAD)	(20 179 914 CAD)	(20 910 506 CAD)
<i>With sharing of the cars' travel costs</i>			
<b>Optimistic Scenario</b>	(11 581 696 CAD)	(11 012 030 CAD)	(10 895 308 CAD)
<b>Realistic Scenario</b>	(14 531 375 CAD)	(14 066 902 CAD)	(14 300 686 CAD)
<b>Pessimistic Scenario</b>	(17 565 553 CAD)	(17 196 414 CAD)	(17 744 392 CAD)

*\*All figures in brackets indicate negative data (deficits).*

Evenko's President stated to the Office of Inspector General that after the trip to Paris, the company was actually considering becoming Montréal FE race's local promoter. As such, it was had to pay for the race's rights, promote the event, and bear the financial responsibility associated with holding of the event. However, considering the financial risk exposed by the financial analysis, Evenko decided not to act as the event's promoter and suggested instead to become a mere subcontractor or service provider of the local promoter.

Evenko's President explained that he contacted the mayor of Montréal's senior adviser to inform her of the deficit foreseen, to ensure that she understood the project the City was getting involved in, and that Evenko would not take on the role of local promoter. The latter confirmed seeing the financial analysis prepared by Evenko and remembered that different scenarios were presented to her. However, at the time, the mayor's cabinet was sure that the event would benefit from substantial subsidies, estimated in the range of 11.5 million CAD in total. In fact, the mayor's cabinet evaluated that the federal and provincial government would each grant 4 million CAD and that the City would grant a 3.5 million CAD subsidy.

For his part, the mayor stated to the Office of Inspector General not having seen the different scenarios of financial projections prepared by Evenko, but admitted that he knew

that the event would be in deficit in the first year. He clarified that this was quite normal for a new event.

On May 19, 2016, the mayor of Montréal's senior adviser informed FEO Vice-President that *Ville de Montréal* and its partners were putting in place an NPO to act as the FE race's promoter and that this NPO be the contracting entity of FEO. On July 8, 2016, the senior adviser explained to him that, since the City could not subsidize a private company, the NPO would be the awarding authority and would receive subsidies from the City and the provincial and federal governments.

### **6.2. Scenario 2: The City finances the event and enters into a contractual relationship following a call for tenders for the event's creation.**

Another possible scenario for holding the FE race in Montréal was that the City launch a call for tenders establishing the future promoter's mandate, including its completion date. This method would have allowed the City to open the market to other potential organizers. However, this option was not adopted by the cabinet, as it would have meant the cabinet would lose control over the event's management.

When he met with the Office of Inspector General, a CLD counsel stated he advised the mayor's cabinet that *Ville de Montréal* launch a public call for tenders to determine who would be the promoter. This was, in his opinion, the preferred method and he provided this advice verbally to the mayor's cabinet.

In this regard, FEO representatives reported to the Office of Inspector General that discussions regarding a call for tenders process to chose the local promoter were very limited. They added that, according to the information provided to them by *Ville de Montréal*, no call for tenders was required.

The Office of Inspector General asked the mayor the reason why *Ville de Montréal* did not launch a call for tenders process to chose the race's local promoter. He responded based on several elements. First, he indicated that there has been no call for tenders in the case of the Formula 1. He also mentioned that the situation was urgent, as it was planned to hold a race in 2017, and that no other promoter could have achieved this mandate. He added that FEO had to agree with the choice, that there had to be a good "fit" between FEO and the promoter.

The CLD counsel stated to the Office of Inspector General that the creation of an NPO to hold the FE race was his [TRANSLATION] "last suggestion". He incidentally warned the mayor's cabinet that it had to [TRANSLATION] "be careful" if it proceeded in this manner.

### **6.3. Scenario 3: The City grants a contract or a subsidy to an NPO for the event's creation.**

The scenario chosen was thus to create an NPO to be used for the promotion of the FE race.

It was entirely possible for *Ville de Montréal* to deal with an NPO to hold the FE race. In this situation, there are two options: a subsidy agreement or a service contract.



If the City opts for a service contract, it is then the NPO's client and the contract's validity is subject to the applicable laws and regulations regarding contracts' awarding. Accordingly, if the contract's value is more than 1 million CAD, the NPO must obtain accreditation from the *Autorité des marchés financiers* (AMF).

However, MCE was formed almost a year and five (5) months after the mayor of Montréal announced that Montréal would host an FE race the next year. Furthermore, FIA revealed that Montréal would be included in the FE races 2017 schedule three (3) months before MCE was created. It would be illusory, therefore, to think that the NPO could have obtained its accreditation on such short notice, but also that it would have had the ability to organize such an event.

Lastly, the NPO must be independent from the City, no matter the type of contract chosen by *Ville de Montréal*. In other words, whether under a service contract or a subsidy agreement, the NPO may not be run by the City.

### 6.3.1. The mayor's cabinet control over MCE

#### 6.3.1.1. The mayor's cabinet decided to put in place an NPO

The idea to create an NPO was a decision that came from the mayor's cabinet and his senior adviser, and started to take shape from the return of the Miami trip in March 2015.

The latter mentioned to the Office of Inspector General that it was necessary to create an NPO to hold a major event such as the FE, as governments do not grant subsidies to a private company. The NPO was intended as a vehicle which would allow to apply for and obtain subsidies from the different levels of government.

This last point was confirmed by several other witnesses met during the investigation, including the mayor himself, City employees and managers, and the CLD counsel.

When they met with the Office of Inspector General, three (3) managers of *Ville de Montréal* Department for Culture (*Service de la culture*) indicated that, in order to receive subsidies from the City and occupy public space free of charge, an event organizer must be an NPO. When the organizer is not an NPO, technical support for the event, namely police and firemen services and some City equipment's loan, is charged to the company at its real value, rather than provided as financial contribution in goods and services.

In the same way, the City Director General explained that for a cultural, sporting or international event, it is customary to create an NPO so that the City can grant a subsidy, as subsidies to private companies are prohibited in these areas.

MCE was an NPO established on October 14, 2016 under the *Canada Not-for-profit Corporations Act* (S.C. 2009, c. 23), which was registered in the Enterprise Register of Québec on October 21, 2016.

Indeed, MCE was created only a few days prior to the press conference held on October 21, 2016 during which the mayor announced a major decision regarding the FE race, specifically that the event would take place on an urban track in downtown Montréal

in summer 2017. According to MCE Executive Board Chairman, this press conference was the [TRANSLATION] "official starting point".

MCE founding statutes provide that the organization's mission is as follows:

- Promote electric transportation and its integration to urban mobility.
- Organize, alone or in partnership, awareness-raising and networking activities and demonstration projects on *Ville de Montréal's* territory.
- Organize the FE race, *Montréal E-Prix*, and activities surrounding this FE network's trial that serve to promote electric transportation in urban areas.
- Provide any other service and organize any other activity related to collaboration, innovation, development or commercialization of electric transportation.

Finally, *Ville de Montréal* chose to grant a subsidy to MCE to hold the FE race. As mentioned above in section 6.3, the NPO's independence from *Ville de Montréal* is the basis for this subsidy agreement.

#### 6.3.1.2. Finance and Operational Dependence

Upon MCE's creation in October 2016, the Agglomeration Council of *Ville de Montréal* granted a first financial contribution of about 1.75 million CAD on October 27, 2016 to cover part of the race's rights to be paid to FEO amounting to 1.5 million CAD, but also the NPO's startup costs. MCE Director General stated to the Office of Inspector General that the part of the subsidy covering the start-up costs, namely 250 000 CAD, allowed to pay his salary, the salary of an intern, and lawyers' fees related to the negotiation of contracts concluded with FEO and Evenko.

In his response the Notice, the mayor of Montréal asserted indeed that the money provided to MCE by the City was to be used only to help start the NPO and pay the race's rights to FEO.

With regard to the premises used by MCE, those were located in *Ville de Montréal's* offices, and by MCE Executive Board Chairman and Director General's admission, were provided to the NPO by the City.

The investigation conducted by the Office of Inspector General also revealed that *Ville de Montréal* accepted to provide security for a 10 million CAD line of credit granted to MCE.

The NPO was then facing liquidity problems preventing it from operating, delivering the race, and paying its suppliers. At the time, the federal and provincial governments' subsidies promised by the mayor of Montréal were slow to arrive. Together, subsidies from these two (2) levels of government were to amount to a total of 8 million CAD. Because of the delay in the subsidies' award, MCE had to turn to financial institutions to quickly get access to liquidities.

As MCE did not have any credit history or asset, the financing request made by MCE Director General and Executive Board Chairman could not be authorized without guarantees. MCE Director General then tried to obtain official letters from the City confirming that subsidies totalling 11.5 million CAD would be granted to the NPO. However, the City could confirm its own commitment to MCE up to 3.5 million CAD, but not the 8 million CAD anticipated from the federal and provincial governments.



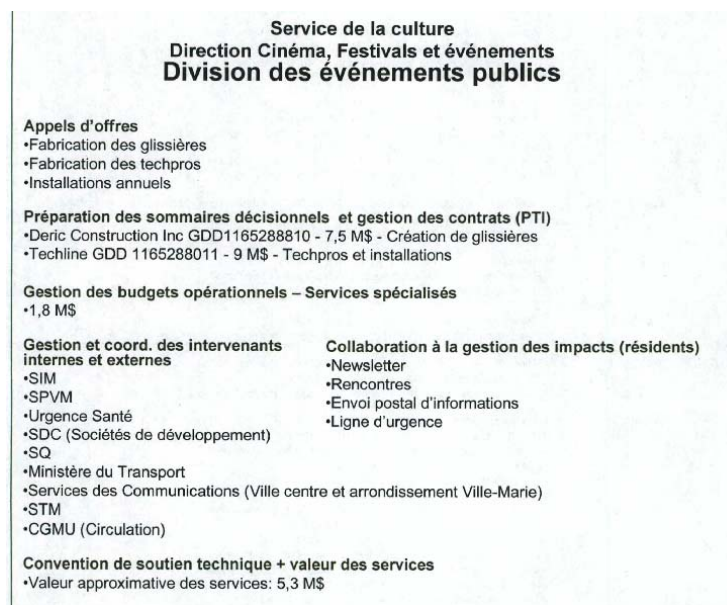
In this context, MCE Director General and Executive Board Chairman indicated to the Office of Inspector General that the only solution was that the City provide security for the line of credit. The NPO's Executive Board Chairman stated that steps to get a line of credit were taken sometime in November 2016.

MCE Director General explained that, initially, he consulted the mayor of Montréal's senior adviser and was considering a 15 million CAD line of credit. However, the latter indicated that the maximum amount that the mayor's cabinet could get approved politically was 10 million CAD. This account was also confirmed by MCE Executive Board Chairman.

Moreover, the investigation conducted by the Office of Inspector General showed that it was *Ville de Montréal* Economic Development Department (*Service du développement économique*) that asked for the Public Events Department (*Division des événements publics* (DEP)) to be involved in the FE file, as MCE did not have the expertise to deliver such a large-scale public event. This was also the contention expressed by the Director of the Film, Festivals and Events Department (*Direction du cinéma, des festivals et des événements*): MCE did not have the operational capacity to manage such an event, and this was the reason why *Ville de Montréal* and Evenko were involved in the file.

However, the DEP Division Head explained that it was not standard for his division to have to manage an event's financial aspects. He specified that, usually, the promoter is responsible for the financial management of the event it organizes.

The DEP's responsibilities were summarized in the following diagram to which the Inspector General had access during his investigation:



L'arrondissement de Ville-Marie est porteur de ce dossier. Le Service de la culture, par sa Direction Cinéma - Festivals - Événements, soutient l'arrondissement dans ses démarches administratives auprès des instances concernées.

The DEP had to prepare Decision Summaries, take care of contracts' management, run operating budgets, collaborate in the management of impacts on residents, and prepare the technical support agreement.

The DEP was involved in the FE file to provide technical support as well as the permits for public space occupancy to the local promoter. The Director of the Film, Festivals and Events Department explained to the Office of Inspector General that the DEP had to manage the FE race on public space, while coordinating various municipal departments' involvement and liaison with citizens.

The DEP Division Head noted incidentally that it is entirely atypical for *Ville de Montréal* to support all of these responsibilities, and he described the City as “co-promoter” of the FE race. His manager, the Director of the Film, Festivals and Events Department, for his part, referred to *Ville de Montréal* as the event's promoter, specifying that this involvement on the part of the City was quite unusual and that he had not seen such a situation occur often in his career.

A witness met by the Office of Inspector General who had commented, at the request of the mayor's senior adviser, on the local promoter contract bounding MCE to FEO, emphasized that on reading the contract, it appeared that the City was at disadvantage regarding the costs, commitments, and sponsorship revenue-sharing. In his opinion, [TRANSLATION] “all the risks were on the same side”.

#### 6.3.1.3. Caveat expressed by the City Legal Department

From October 2015, the CLD was involved in the FE file. It appears that the mayor's senior adviser asked the CLD counsel in charge of the file to examine the document entitled *Event Specifications* including FEO requirements regarding the race's operations, and to think about the legal structure to put in place to hold the race.

After analyzing this document, the CLD counsel sent a note to the mayor's senior adviser dated November 17, 2015 in which he outlined the different scenarios that could be used to put in place a structure, namely that the local promoter could be either an NPO or a commercial company, in which case *Ville de Montréal* could not grant a subsidy and had to charge for technical support services at their real value.

The counsel expressed clearly, from the outset, a first caution: if an NPO was created, it could not serve as a channel between the City and a private company in charge of the race's organization. He added that its mission had to be larger than the FE race. The extract from the note sent reads as follows:



### Ville – Promoteur Local\*

Entente d'organisation et de promotion de l'événement :

- 1) Si le Promoteur Local est une entreprise commerciale, la Ville ne peut subventionner un tel promoteur. La Ville doit donc charger tous les services municipaux à leur juste valeur, incluant pour l'occupation du domaine public puisqu'il s'agit d'un circuit urbain.
- 2) Si le Promoteur Local est un OBNL, il ne peut être une simple courroie de transmission entre la Ville et l'organisateur de la course qui serait une entreprise commerciale. Pour ce faire, l'organisation de la course ne doit pas être la raison d'être de l'OBNL. La course devient un événement parmi d'autres permettant à l'OBNL de financer sa mission (ex. Promotion des énergies vertes). Dans ce cas, la Ville peut fournir son soutien financier ou en nature à l'OBNL.

\*(le document « Event Specifications » mentionne également l'option pour FEH, en l'absence d'un Promoteur Local, de l'organiser elle-même (et la faculté de sous-traiter la promotion et l'organisation à un « Opérateur Local » (ce terme n'est pas défini à l'entente et la distinction avec le Promoteur n'est pas claire).

Moreover, the Office of Inspector General had access to handwritten notes appended by the CLD counsel on the FEO *Event Specifications* document, which confirm his concerns. The notes include the following written on the first page of the document [TRANSLATION]:

“Mission can not be limited to organize the GP [*Grand Prix*]: commercial activity”

“Promoter may be Evenko: but no NPO upstream → if City doesn't pay the rights, no control.”

The Inspector General notes that the CLD counsel indicated that, in the months that followed sending of his note dated November 17, 2015, the mayor of Montréal's senior adviser informed him that the structure chosen was an NPO.

He specified that during the discussions that took place, he formulated again to the mayor's office the caveat that the NPO could not be used as a channel. He mentioned having repeated it [TRANSLATION] "*ad nauseam*, at every possible opportunity", to the point where the senior adviser replied each time: "We are aware of this". When she met with the Office of Inspector General, she indeed confirmed having received these cautions.

The counsel maintained that, at that time, the CLD feared that the NPO would be created to circumvent the rules and award the contract to Evenko, and this was the reason the cautions were issued several times.

The CLD counsel explained that, although the creation of an NPO is an interesting choice considering that *Ville de Montréal* cannot subsidize a private company, the NPO must



nevertheless have a real purpose and cannot simply be created to allow to transfer funds from subsidies towards a private company.

Lastly, the CLD counsel stated that he discussed with the mayor's cabinet the independence that the NPO must have from *Ville de Montréal* which implemented it. The mayor of Montréal's senior adviser confirmed, once again, having received [TRANSLATION] "repeatedly" this caveat, namely that "the NPO is not an agent of the City".

### 6.3.2. MCE was a channel between *Ville de Montréal* and Evenko

#### 6.3.2.1. MCE's responsibilities were fulfilled by the mayor's cabinet

The investigation conducted by the Office of Inspector General allowed to note that, in practice, *Ville de Montréal* carried out a significant part of MCE's responsibilities as the FE race's local promoter.

During the investigation, the Inspector General obtained a copy of a chart held by Evenko, summarizing the various actors' main roles and responsibilities, including those of MCE, *Ville de Montréal* and Evenko, which are detailed in the next sections:

### Formula E - Montréal

FIA	FEO	LOCAL PROMOTER (OBNL)	CONTRACTOR (EVENKO)	MTL	SPORTING ORGANIZER
<ul style="list-style-type: none"> <li>- Approval of Sporting Organiser</li> <li>- Inspection / approval of Track</li> <li>- Owns all IP</li> <li>- Authority to supervise safety, sporting, technical and disciplinary aspects of the Event</li> </ul>	<ul style="list-style-type: none"> <li>- License « Licensed rights » to LP</li> <li>- Provide, manage and supervise Support Services</li> <li>- Organize the race itself (incl. relations w/ pilots)</li> <li>- Provide prize money</li> <li>- Control and deliver all accreditations for on-site staff</li> </ul>	<ul style="list-style-type: none"> <li>- Obtain funding from various public partners</li> <li>- Obtain bank guarantees (if applicable)</li> </ul>	<ul style="list-style-type: none"> <li>- MANAGEMENT OF THE EVENT               <ul style="list-style-type: none"> <li>- Budget</li> <li>- Financial reports</li> <li>- Report to the board</li> </ul> </li> <li>- All ticketing operations</li> <li>- Secure sponsorship with services of Effix (exclusivity, save for Title Sponsor)</li> <li>- Programming and production of all events (incl. launch event, races – save for aspects specifically assigned to other parties –, Evillage, After Party, Gala Dinner, Concert, etc.)</li> <li>- Marketing, promotion, communication and web (incl. websites, social media, PR, advertising, etc.)</li> <li>- Merchandising design, production and sale</li> <li>- Secure and supervise Canadian broadcast deal</li> <li>- Obtain required insurance policies</li> <li>- Secure all licenses, permits and authorizations</li> </ul>	<ul style="list-style-type: none"> <li>- Procure ready-to-go Race Track and infrastructures</li> <li>- Provide funding to LP</li> <li>- Provide services to LP (incl. street works, security, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>- Organize transport, import/export (TBC)</li> <li>- Work with the city to deliver race track in conformity w/ FIA regulations</li> </ul>

On reading the diagram obtained by the Inspector General, it appears that MCE's role was limited to get government subsidies and financial guarantees, if needed. Yet, the investigation revealed that MCE did not even take care of grant applications and that it was rather the mayor and his senior adviser who assumed this task.



Both MCE Director General and Executive Board Chairman stated that the mayor's cabinet, and more specifically the mayor's senior adviser, were responsible for the event's funding. The latter prepared the documents and sent the grant applications on behalf of MCE; MCE leaders only had to sign. The Inspector General notes that the mayor of Montréal personally negotiated with the state-owned corporation's President the sponsorship of Hydro-Québec of approximately 850 000 CAD.

The Office of Inspector General had access to five (5) letters of grant applications, all dated November 4, 2016 and signed by MCE Executive Board Chairman. MCE Director General maintained to the Office of Inspector General that he received these letters from the mayor's cabinet, which had prepared them, and that the mayor's senior adviser simply asked him to send them.

The mayor of Montréal's senior adviser admitted she [TRANSLATION] "gave a big hand" in relation to grant applications. She explained she wrote the letters and the grant applications, and stated she was also responsible for monitoring the applications to the federal government, while the mayor's Chief of Staff was monitoring the applications to the provincial government.

She specified to the Office of Inspector General, however, that it was for MCE Director General to settle the subsidies with government officials. The NPO's Director General indicated nevertheless that the mayor's senior adviser had confirmed to him during his hiring interview that subsidies were settled at 99%. It was the reason why he accepted the position, as the subsidies were secured.

MCE Executive Board Chairman agreed wholeheartedly with him: The mayor's senior adviser reiterated repeatedly that subsidies were already settled. He indicated that when him and MCE Director General were trying to follow up on the subsidies with her, she would say to them: [TRANSLATION] "Don't do anything" and "We take care of everything". She asked them not to worry as [TRANSLATION] "everything was still settled", "secured". The Executive Board Chairman added that the word "settled" came up at least a hundred (100) times and that, with no experience regarding grant applications, he trusted the mayor's cabinet.

MCE Executive Board Chairman also reported that when the mayor approached him to offer him his position with MCE, the latter told him that funding was virtually settled.

The City Director General, the DDG of Ville-Marie borough and an observer member appointed to MCE's Executive Board maintained as well that the mayor's senior adviser was taking care of the subsidies. She controlled and managed this aspect of the file, and it was clear that the mayor's cabinet was responsible for steps and negotiations to obtain subsidies.

In their joint response to the Notice, MCE Director General and Executive Board Chairman explained that MCE's role was not limited to get government subsidies and financial guarantees, and that the organization built and contributed very significantly to educational programming specific to transport electrification. They emphasized that MCE played an important role in monitoring budgets and expenses' justification, as ultimately, everything had to be approved by MCE. However, the material evidence obtained during the

investigation shows that it was Evenko employees who approved invoices on behalf of MCE.

#### 6.3.2.2. The mayor's cabinet influence on hiring of MCE leaders

MCE Executive Board consisted of eight (8) members, of which six (6) directors include the Chairman, one (1) observer member and one (1) secretary.

The Office of Inspector General obtained a copy of MCE's founding statutes. They provide for two (2) members' categories: category A and category B. Only *Ville de Montréal* can be a member of category A, which grants some benefits including the right to attend all the organization members' assemblies, to vote at such assemblies, and the power to appoint the Chairman and one third of the Executive Board members.

With a view to ensure MCE's independence from the City, the counsel assigned to the FE file had expressed reservations and formulated a caveat to avoid such a situation.

The CLD counsel stated that, after receiving MCE's founding statutes, he again raised the issue of independence and believed the statutes would be modified. He had noticed that the City had reserved the possibility of appointing the directors of the organization it had created.

The investigation allowed to learn that the mayor of Montréal had personally approached an individual to act as the future NPO's Executive Board Chairman on September 10, 2016, that is one (1) month before MCE's creation. Another person whom the mayor had also personally contacted regarding this position in winter 2016 had just turned it down.

In his response to the Notice, MCE Executive Board Chairman specified that he was officially appointed on October 17, 2016. Nonetheless, as discussed below, the investigation revealed that he was involved in the FE file from the end of September 2016 as the NPO's representative on many levels: he participated in the Director General interviews, contacted candidates to become Executive Board members, and received a version of the local promoter contract which was eventually concluded between MCE and FEO (this last point is detailed in section 6.4 of this report). For this reason, the Inspector General retains in his statement of facts that his appointment as MCE Executive Board Chairman was effective from September 2016, even if not official at the time as the NPO had not yet been created.

To return to the circumstances surrounding the selection and hiring of MCE leaders, the Inspector General noted that after having accepted the position offered to him by the mayor of Montréal, MCE Executive Board Chairman conducted, together with the mayor's senior adviser, the interviews to designate the future NPO's Director General. MCE Executive Board Chairman admitted that the mayor's senior adviser provided the name of the candidate who was then selected.

Besides, speaking of the mayor's senior adviser and of the Director General's choice, he stated to the Office of Inspector General that: [TRANSLATION] "we did interviews together"; "we decided... Marie-José agreed with me that it was the best person"; "we chose"; "we hired him". Finally, the Executive Board Chairman confided that the mayor's senior adviser took the final decision: [TRANSLATION] "the final word, it's Marie-José".



He specified that after discussing it, she [TRANSLATION] “approved” his recommendation.

MCE Director General mentioned to the Office of Inspector General that he was initially contacted by the Executive Board Chairman to inquire about his interest, but confirmed that his hiring interview was held in the presence of the Executive Board Chairman and the mayor of Montréal’s senior adviser, and that they offered him the position [TRANSLATION] “in joint agreement”. He was hired on October 16, 2016 and his employment contract was signed on October 25, 2016.

In their joint response to the Notice, MCE Director General and Executive Board Chairman specified that the Executive Board ratified the Director General’s hiring as his profile was consistent with MCE’s whole mission. The Inspector General in no way denies that the profile of the chosen Director General corresponds to MCE’s mission and does not intend to comment on the decision to chose this individual rather than another. However, it follows from the facts presented that the mayor’s senior adviser played a decision-making role in the choice of MCE Director General: she suggested the successful candidate, chose the Director General and approved his appointment before the Executive Board ratified his hiring.

As for the other directors of MCE Executive Board, the Chairman specified to the Office of Inspector General - both on the phone and when met in person - that the mayor of Montréal and his senior adviser suggested names of people who could be board members. He indicated that, on his part, he thought only of two (2) individuals. He said, however, that he was the one who contacted all of them, and that he approached no one else.

In fact, it appears that all the individuals whose name was provided by the mayor and his senior adviser were selected to act as Executive Board members. This includes three (3) directors, plus the Chairman chosen by the mayor himself, for a total of four (4) directors out of six (6). The investigation allowed to learn that the mayor’s cabinet also chose the observer member and the Executive Board’s secretary.

Thus, six (6) out of eight (8) members of the Executive Board were chosen following decisions or suggestions of the mayor’s cabinet.

In addition, the Inspector General wishes to emphasize that, initially, the mayor’s cabinet wanted a City employee as a member of MCE Executive Board, but the CLD cautioned it not to proceed in this way in order, once again, to preserve the NPO’s independence. The observer member appointed to the Executive Board by the mayor’s cabinet was, however, a City employee.

### 6.3.2.3. Management of Operations

Regarding MCE’s everyday operations, witnesses reported to the Office of Inspector General the constant implication of the mayor’s cabinet via his senior adviser.

From the outset, the Inspector General noted that MCE’s representatives were absent from the exit meeting held on September 12, 2017 regarding the FE race’s proceedings. A copy of the meeting’s minutes was obtained during the investigation which shows that, yet, it was at this meeting that complaints were raised and that representatives of all the

actors involved in the race were gathered, including that of Evenko, the DEP, Ville-Marie borough, the media, and various entities responsible for providing services and facilities to the local promoter (police forces and Montréal Fire Department (*Service de sécurité incendie de Montréal*)).

MCE Director General confided that he consulted the mayor's senior adviser on all important decisions regarding the FE race, and sought her approval each time. He admitted that in this file, he felt as if other people were running things. He said: [TRANSLATION] "I had to do what everybody asked, because there were forces much bigger than me at play here"; "I would get approval, there was no room for error there", specifying that he confirmed his decisions with the mayor's senior adviser.

As he had never organized such a large-scale event, MCE Director General stated that the mayor's senior adviser was [TRANSLATION] "powerful" within MCE, that she "pulled many strings", to the point where "it was always Marie-José Reid, Marie-José Reid, Marie-José Reid". For his part, MCE Executive Board Chairman described the NPO as "*Ville de Montréal's* puppet" and confirmed that the mayor's office was [TRANSLATION] "omnipresent in the project", that the FE project was "their project, their baby".

As for the DDG of Ville-Marie borough, he mentioned the unprecedented involvement of the mayor's senior adviser and admitted that everything was happening between the mayor and her. He even described the senior adviser as a [TRANSLATION] "conductor" as everything was done in close collaboration with her. He added that he received his orders directly from the mayor and that the latter was his boss concerning the racetrack's delivery. The City Director General confirmed this and mentioned that, although the DDG is hierarchically under him, he was dealing directly with the mayor's senior adviser for the FE file.

According to MCE Executive Board Chairman, none of the Executive Board members knew the FE race:

[TRANSLATION] "Us, we knew nothing. We get there, there is no information, we don't know FEO, we don't know the FE race, we are not familiar with it, we are not familiar with subsidies."

In their joint response to the Notice, MCE Director General and Executive Board Chairman diminished their remarks and explained that decisions were ultimately always taken by MCE's Direction or Executive Board. However, the Director General informed the mayor's senior adviser and agreed with her on important decisions, given the involvement of the City and the mayor's cabinet in the project's delivery.

For her part, the mayor's senior adviser admitted in her response to the Notice that the mayor's cabinet was consulted on some decisions, but mentioned that these were decisions that could impact City activities.

When he met with the Office of Inspector General, the mayor explained that his senior adviser was only staying informed; she did not control MCE and was not involved in negotiating contracts with FEO. Yet, the mayor and his senior adviser's involvement was such that, in fact, the mayor's cabinet negotiated the local promoter contract bounding



MCE to FEO before MCE leaders took office, imposed on MCE its principal subcontractor for the event component (Evenko), and assumed a number of obligations which traditionally fall to the project's local promoter.

#### 6.3.2.4. Goal setting

As mentioned above, organizing the FE race could not be the NPO's sole objective; it had to have a real purpose to receive financial support from the City. The mayor's senior adviser contented that MCE's mission was to promote transport electrification. As an example, she cited the addition of electric charging stations as part of the mission of promoting transport electrification. This objective was also part of the Sustainable Development Policy established by *Ville de Montréal*, which aimed at reducing its environmental footprint notably by reducing greenhouse gases' emissions.

Indeed, it appears - and the Inspector General wishes to emphasize this - that MCE's directors were involved within the NPO as they believed in its mission to promote transport electrification. The Inspector General noted the willingness of MCE Executive Board members to take charge and carry out this aspect of the mission.

When he met with the Office of Inspector General, MCE Director General specified that he tried to promote other aspects of the mission around the FE race event and completed several actions to fulfill MCE's mission. In particular, he explained that he created a movement on social media and, to this end, awarded a contract to a communications agency to build a website, a Facebook page and a Twitter account, as well as a communication and public relations strategy around the FE race. It was expected that these strategies regarding social media would continue after the race to promote transport electrification.

MCE Director General also indicated that he published several articles on MCE's website concerning transport electrification, and made some contacts with universities to get sponsorships and convince them to install kiosks on the FE race's site to promote their *savoir-faire* in the area transport electrification. The Director General insisted that several activities were held on the race's site, including children's entertainment and tests on electric vehicles, and that through the event, citizens learned about transport electrification.

Both MCE Director General and Executive Board Chairman stated that it was the aspect of transport electrification that decided them to join the NPO. MCE Executive Board Chairman added the Executive Board refined the action plan, wanting to do more than just holding an FE race, and that members were serious people who believed in the promotion of transport electrification.

However, the investigation revealed that, despite the other aspects of its mission, the NPO's priority was to promote the FE file, and this priority had been dictated to the Executive Board by the mayor's cabinet.

MCE Executive Board Chairman confided to the Office of Inspector General that the Executive Board members were told that the first year, they should not expect to do anything other than the race before the event; [TRANSLATION] "Let's start with delivering

the race, and our broader mission, we can set it up then and bring it to life”. He went on to say:

[TRANSLATION] “Since the beginning, we wanted to have visibility for what we were doing. For sure, our priority was the race. The mayor, and Marie-José, and Evenko, they could not take a hit with the race, and we understood that very well, and accepted it, but we still wanted to begin planting our seeds for the future.”

Same story from MCE Director General, who stated: [TRANSLATION] “The City wanted above all that we deliver the race and for it to be a success”. He also confirmed that the mission was not really brought to the forefront by the mayor’s cabinet and that it insisted a lot on the race.

The mayor’s senior adviser admitted that, during the first year, MCE had to dedicate a significant portion of its time to the FE race. MCE Executive Board Chairman mentioned that, because of the race, he had little to no time to devote to promoting transport electrification, but alluded to activities in connection with transport electrification that MCE would have organized from its second year of existence. Another Executive Board member indicated that initiatives promoting transport electrification were discussed at large, but that the race was the main subject during meetings and that all revolved around this event. Finally, MCE Director General revealed that he knew the FE race’s organization would monopolize all his time for the first year, but he was convinced that after the race, the mandate’s other aspects would have been addressed.

A witness involved in the FE file and in discussions with the mayor’s cabinet believed that MCE had not been set up to create long term initiatives. In his opinion, MCE was given a mission to promote transport electrification to justify the formation of an NPO for the FE race. He described MCE as a screen, but specified that MCE Director General and Executive Board members really believed in the mission of promoting transport electrification, and did not know that MCE was, in fact, dedicated to the FE.

### 6.3.3. The promoter contract between MCE and FEO

It follows from the investigation conducted by the Office of Inspector General that negotiations relating to the local promoter contract started even before MCE was created. Initiated as soon as fall 2015, negotiations between *Ville de Montréal* and FEO intensified from May 2016 to confirm holding of the event. However, negotiations were not limited to confirm Montréal’s inclusion in the FE races schedule. The mayor and its senior adviser also directly negotiated the local promoter contract with FEO leaders, which again demonstrates the control exercised by the mayor’s cabinet and its interference in MCE’s operations in connection with the FE race.

#### 6.3.3.1. The mayor’s cabinet predominant role

The mayor’s cabinet conducted negotiations of contractual clauses affecting MCE’s obligations under the local promoter contract. The documentary evidence obtained during the investigation allowed to note that the mayor’s cabinet established what the NPO would undertake before its leaders had even been appointed, despite numerous caveats formulated by the CLD regarding the necessary independence to exist between the NPO created and *Ville de Montréal*.



As soon as May 2016, the mayor of Montréal's senior adviser was involved in allocating responsibilities between FEO and the future local promoter. On May 19, 2016, she sent to FEO leaders a letter of intent meant to be a proposal regarding shared responsibility between the contracting entities as well as applicable financial terms.

The Inspector General had access to a copy of the letter of intent and noted that it mentioned at the outset that the terms and conditions it established aimed to create binding legal obligations for FEO and the future NPO. It stated that:

« This letter is not exhaustive but is intended to be legally binding between FE and the NPO to the extent permitted by applicable law ».

[Characters underlined by the Inspector General]

FEO representatives confirmed to the Office of Inspector General that *Ville de Montréal* determined who would be FEO's contracting party and the legal structure to set up, and that they in no way took part in these decisions. They added that they only learned the identity of the other party's entity in October 2016.

The mayor of Montréal was also involved in negotiating clauses of the contract between FEO and the future NPO. He stated to the Office of Inspector General that he personally negotiated some contractual clauses to lower the amount asked for the rights, to arrange for the cars' travel costs to be shared with the next host city on the races' schedule, and to nominate Hydro-Québec as a sponsor of the race. This negotiation took place with FEO President in the beginning of June 2016 in Monaco<sup>5</sup>.

After reading and analyzing the documents to which he had access during his investigation, the Inspector General noted that, at the time, the mayor's senior adviser was communicating on a regular basis, sometimes almost daily, with FEO representatives regarding roles and responsibilities' allocation between the entities. The Inspector General observed that the points discussed had an impact on the local promoter's deliverables and the FE race's organization.

#### 6.3.3.2. Second caveat of the City Legal Department

Finally, the Inspector General notes that, in June 2016, the mayor's senior adviser asked the CLD counsel in charge of the file to comment on a draft of the local promoter contract.

The CLD counsel mentioned to the Office of Inspector General that he then expressed his reservations and concerns as the NPO still had not been created at the time. Consequently, he advised the mayor's senior adviser to keep a distance from the NPO.

The handwritten notes he appended on the contract's draft include the following:

[TRANSLATION] "NPO not created"

"City must maintain distance with NPO → creation and management included"

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<sup>5</sup>The Decision Summary to ratify the mayor's travel expenses attests that the trip to Monaco took place from June 1 to June 4, 2016.



“Logically, this agreement should be the last to be signed, or at the very least, after funding confirmation and approval of City’s support (bodies)”

The CLD counsel contented that there was always a concern relating to the City maintaining the NPO’s independence. When he met with the Office of Inspector General, he confided his apprehensions as such: it’s [TRANSLATION] “the eleventh hour”, “there’s one player missing”, this party was “expected since March”, “where is it?”, “we’re proceeding, but how?”. The CLD counsel stated that he did not read the final contract.

The Inspector General deems relevant to specify that the CLD continuously refused to act on behalf of the future NPO to maintain independence from it, and that the CLD was involved in the local promoter contract’s review in June 2016 not to provide comments of a general nature on clauses, but to study the contract’s potential impacts on *Ville de Montréal*.

### 6.3.4. The contract between MCE and Evenko

#### 6.3.4.1. Evenko was imposed on MCE by the mayor’s cabinet

The investigation conducted by the Office of Inspector General revealed that the mayor’s cabinet imposed Evenko on MCE as its principal subcontractor for all the event component and that it left MCE no leeway in this regard.

The decision to entrust a service contract to Evenko seems to have been taken by the mayor’s cabinet, even before MCE leaders took office. Indeed, MCE Executive Board Chairman stated that when the mayor approached him to offer him his position with MCE, the latter mentioned that Evenko was the promoter and was taking care of everything. He reported that the mayor said the following:

[TRANSLATION] “it won’t be very complicated for you, [...] it won’t take much time, [...] everything is more or less settled, the contract with the FE is very advanced, Evenko is going to be the project’s promoter, so it won’t be the NPO, there won’t necessarily be a bunch of employees for you to manage; Evenko made the pitch with us, they have the expertise, they’ll manage the project. Funding, it’s virtually settled.”

In fact, when questioned by the Office of Inspecteur général about the choice of Evenko as a service provider, the Executive Board Chairman admitted that the mayor’s cabinet made the decision. His words were:

[TRANSLATION] “FEO, after the pitches that had been made by the mayor and Evenko... You need to remember that Evenko was in the picture since September 2015, and that the mayor and Evenko went to see the races together and made the pitches; they made a big pitch in June 2016 to FEO which kind of sealed the agreement between FEO, the City or the mayor and Evenko... that we want to go to Montréal to hold FE races and that we want Evenko because they convinced us, and the City has the jurisdiction to do so, and Evenko is the right manager.”

[Characters underlined by the Inspector General]



He went on to say that FEO had been [TRANSLATION] “convinced that Evenko was the best” and pointed out that the name of Evenko was already indicated as manager in the contract's draft in July 2016, well before he took office.

MCE Director General confirmed the Executive Board Chairman's account that Evenko was thus imposed on MCE by the mayor's cabinet. When he met with the Office of Inspector General, he confided that [TRANSLATION] “Evenko knew they were going to get the contract” and that he was told: “You'll be working with Evenko”. He pointed out that Evenko was present at the press conference held on October 21, 2016, and that he had no say in this as he only took office that same day.

MCE Executive Board Chairman reported that the mayor's senior adviser indicated that the contract had to be signed with Evenko:

[TRANSLATION] “The contract with FEO was signed, and Marie-Josée Reid said: “Now, MCE will have to sign also the contract with Evenko, it's going to be Evenko there”. So we negotiated the contract with Evenko.”

[Characters underlined by the Inspector General]

Furthermore, MCE Executive Board Chairman mentioned that at one time, there was a question of potential appearance of conflict of interest for him, as he was part of an Evenko's foundation. When the subject was broached, he stated that the mayor's senior adviser told him not to worry and that:

[TRANSLATION] “anyway, Evenko has been involved in the file since a least a year, and we are the ones who chose them, it's not even you who chose them.”

[Characters underlined by the Inspector General]

Finally, MCE Executive Board Chairman noted that the choice of Evenko was dictated by the fact that, when he took office, there were nine (9) months before the event, and with such a deadline, no one else could have organized an event of this scale:

[TRANSLATION] “Who can organize a major event in Montréal nine (9) months before the event? All the marketing, all the engineering to set up the stands, advertising, tickets, all that, it was unthinkable [...] So, then you go ahead, you negotiate the best you can with Evenko”.

The Inspector General noted the same question on MCE Director General's part relatively to the short time available to them to choose a subcontractor. He said to the Office of Inspector General:

[TRANSLATION] “In any case, how could we have conducted a call for tenders - I'm asking the question - to deliver the event at that date? It was impossible”.

The Executive Board Chairman added that the mayor's senior adviser mentioned the NPO was not required to issue a call for tenders to hire the company in charge of organizing the event, and that she confirmed to him then that it was legal for MCE to award the contract directly to Evenko.

During a conference call held on January 9, 2018, MCE Executive Board Chairman admitted to the Office of Inspector General that the mayor of Montréal had indicated, regarding the creation of an NPO, that [TRANSLATION] “with an NPO, the City does not have to go to tenders and can award the promoter's contract directly to Evenko”.

When he met with the Office of Inspector General three (3) days later, MCE Executive Board Chairman refuted, however, that MCE was created to give Evenko the contract bypassing the rules surrounding public contracts' awarding. He specified nonetheless that the mayor and his senior adviser told him that the contract with FEO was virtually signed, that Evenko would be the promoter, and that this was FEO's wish as well.

Evenko was the local promoter's provider responsible for organizing the FE race, including preparing the budget, financial reports and accountability for the Executive Board. It appears that all responsibilities relating to the FE race's management and organization component were attributed to Evenko.

In the end, Evenko took care of ticket sales, sponsorships (excluding the one from Hydro-Québec), programming and production of all the events relating to the race (including the post race event), marketing, and promotion, as well communications regarding the event, advertising and public relations. Besides, Evenko was responsible for commercialization, sales, underwriting the required insurance policies, and obtaining all licenses, permits and any other authorization required for the event.

Evenko's President confirmed to the Office of Inspector General that his company was in charge of awarding contracts to suppliers on MCE's behalf, ticket sales, race's promotion, sponsorships, preparing all the concessions, selling loges, track's assembly and dismantling, budget management, security, entertainment, media rights to cover the event, bands, games, cleaning, and planning of the activities around the race.

By Evenko's President own admission, the company also performed all the event's accounting for and on behalf of MCE. He added that he thought maybe even all MCE's accounting and bookkeeping was done by his company, including not related to the FE race, as the NPO did not have an accountant. Evenko's President identified to the Office of Inspector General the two (2) company employees who took care of MCE's accounting and bookkeeping.

He stated to the Office of Inspector General that [TRANSLATION] “MCE was an organization with one employee who needed a machine to do promotion”. He added that Evenko hired three (3) employees to take care of the event, respectively on October 17, 2016, November 10, 2016 and March 6, 2017. Their salaries were re-invoiced to MCE in addition to management fees.

In this regard, MCE Executive Board Chairman specified that the people hired by Evenko were dedicated 100% to the FE race and that they were on Evenko's payroll.

As the company did not take on any risk regarding the event, the President and a director of Evenko said that it acted as an operator responsible for organizing the FE race and not as a promoter responsible for the associated risks.

The contract between Evenko and MCE provides that Evenko invoice MCE annual management fees for the FE race's organization corresponding to 2 million CAD (including



a bonus of 500 000 CAD) and receive 20% of the sponsorships obtained, excluding the one from Hydro-Québec and the provincial and federal governments' subsidies. To these fees was added the re-invoicing of three (3) employees' salary, who were hired by Evenko specifically for the FE.

#### 6.3.4.2. Negotiation of the contract between MCE and Evenko

From the outset, the Inspector General thinks it is worth recalling that during negotiations with FEO, even before MCE was created and its leaders took office, the mayor's senior adviser identified Evenko in the local promoter contract as MCE's subcontractor for the FE race's event component. No other subcontractor option was provided in the contract to take charge of this component.

The Inspector General also noted that during the negotiation period for the local promoter contract involving FEO and the mayor's cabinet, Evenko's President was informed of these communications. Indeed, even before MCE was created and its leaders were appointed, the mayor's senior adviser sought Evenko's legal and operational advice on the file. The company's President confirmed to the Office of Inspector General that, between May and July 2016, Evenko's counsels notably commented on contract proposals and advised *Ville de Montréal*. The President participated in phone calls between *Ville de Montréal* and FEO; he specified, however, that decisions were ultimately made by the mayor of Montréal's senior adviser.

For her part, the mayor's senior adviser confirmed Evenko's involvement in contract negotiations. She justified this situation stating that she had to ensure the company was aware of the clauses affecting deliverables and get their input in this regard. She admitted, at the same time, that Evenko already knew the deliverables in relation to the event and that the company was thus already designated in the contract between FEO and the local promoter, while MCE still had not been created.

A director of Evenko pointed out to the Office of Inspector General that a first contract proposal between Evenko and MCE was drafted in October 2016. This same director, who was involved in negotiations on behalf on Evenko, explained that the mayor's senior adviser negotiated general terms of the contract with Evenko's President, but the clauses' negotiation took place with MCE Executive Board Chairman and legal counsel. Evenko representatives claimed that she did not participate in calls or communications during these negotiations.

When he met with the Office of Inspector General, the mayor stated that he did not take cognizance of the agreement between MCE and Evenko and that he did not know the details. He also mentioned that his senior adviser did not have anything to do with the contract and that she was not involved in negotiations.

In their joint response to the Notice, MCE Director General and Executive Board Chairman added that the latter and MCE's legal counsel lead the contract's negotiation and protected MCE's interests.

However, the Inspector General noted that MCE Director General mentioned having submitted the agreement concluded with Evenko to the mayor's cabinet. Furthermore, the

Executive Board Chairman admitted that he spoke regularly with the mayor's senior adviser to inform her on the negotiations and that, once the agreement was fairly advanced, it was sent to her for approval. He assumed the mayor of Montréal was aware of the contract's developments, as his senior adviser would sometimes mention that the mayor did not agree on certain elements.

While maintaining that the mayor's senior adviser did not directly negotiate the contract with Evenko, unlike the contract with FEO, MCE Executive Board Chairman indicated that she was [TRANSLATION] "a stakeholder through MCE".

Finally, the Inspector General notes that from August 2016, namely a few months before MCE was created, its leaders took office, and the local promoter contract was signed, Evenko understood that it would take care of the race's organization. Indeed, Montréal's inclusion in the FE races 2017 schedule was confirmed on June 23, 2016. The mayor neglected, however, to officially announce the race; so, by his senior adviser's own admission, FEO and Evenko began to put pressure on the mayor's cabinet in August 2016. FEO required that the race be announced no later than October if Montréal wanted to be part of the FE races 2017 schedule, while Evenko wanted the race to be announced to be able to start selling tickets. MCE still had not been created at that time and yet, it seemed already agreed that Evenko would be the company in charge of the FE race's organization.

## 7. Conclusion and intervention of the Inspector General

### 7.1. Conclusions of the Inspector General

The Inspector General concluded that the NPO "*Montréal, c'est électrique*" was used to circumvent the statutory rules for contracts' awarding. The mayor of Montréal's cabinet ignored the CLD's caveats and recommendations, and MCE was, after all, only a channel between *Ville de Montréal* and Evenko.

The control of the mayor's cabinet was such that, in practice, MCE proved to be an extension of *Ville de Montréal* as regards the FE file. Moreover, the Inspector General noted that the mayor's cabinet put *Ville de Montréal* in such a situation that it took on, in fact, the roles and responsibilities which traditionally fall to the race's local promoter.

It is useful to recall here that the mayor of Montréal personally approached Evenko's President in fall 2015 for him to become the race's local promoter. The investigation also revealed that the mayor had introduced Evenko to FEO as the company considered to become the promoter in charge of organizing the event in order to - by the mayor's own admission to the Office of Inspector General - ensure a chance that the best firm could act as promoter.

The mayor of Montréal denied having chosen and imposed Evenko as the race's promoter, and stated that FEO took a leading role in this regard. Yet, it appears that Evenko was the only promoter introduced to FEO, and no other promoter was contacted by the mayor or his cabinet relating to the FE race in Montréal. Besides, FEO representatives pointed out that it was when the mayor introduced them to Evenko representatives that they were informed for the first time of the company's existence. The Inspector General also noted that the mayor asked FEO to stop talks with another promoter interested in the event and



required all communications be centralized at his cabinet. Numerous witnesses confirmed that, from 2015, Evenko was the prospective promoter the mayor's cabinet wanted to have for the FE race in Montréal.

However, Evenko eventually refused to act as promoter after conducting financial analyses in spring 2016 which anticipated a significant deficit. The company still offered to act as a service provider to the local promoter, and this is how the mayor of Montréal and his senior adviser linked MCE leaders to Evenko.

FEO leaders admitted that they would not have agreed to act as the event's promoter as they did not see Montréal as a strategic city likely to improve the FE Championship's visibility, such as London or Paris. They were aware that the FE race in Montréal would likely be in deficit from a financial point of view, for several years. If not for the contract negotiated with the mayor's cabinet, they would not have agreed to hold an FE race in Montréal.

It follows from the facts gathered during the investigation that it was the actual will of the mayor of Montréal and his cabinet to entrust the Montréal FE race's organization and promotion to Evenko, even if another entity would have to bear the financial risks associated with the event to do so.

In the end, the structure put in place by the mayor's cabinet to hold the event revealed that Evenko took care of all the project's event component and was responsible for its organization, ticket sales, sponsorships, programming, marketing, promotion, communications, public relations, advertising, budgets and financial statements' preparation as well as accountability.

For its part, *Ville de Montréal* was responsible for preparing all the technical component related to the racetrack's construction. This responsibility involved preparation work such as conducting a feasibility study and paying the associated fees. *Ville de Montréal* also had to conduct work to build the racetrack in the downtown area and provide all of the necessary infrastructure for the event, including protection elements, as well as services for assembly and dismantling of the track.

The CLD expressed clearly to the mayor's senior adviser from November 2015 that the NPO could not serve as a channel between the City and a private company in charge of the race's organization. The model recommended by the CLD was that *Ville de Montréal* launch a public call for tenders to determine who would be the promoter.

In practice, the relationship between MCE and the mayor's cabinet was so close that it casts doubt on the real reason for which the NPO was created. The official mission of MCE, to promote transport electrification, was given to MCE to justify its creation by the mayor's cabinet. MCE's creation such a short time prior to the event left it no option but to entrust the contract by mutual agreement to Evenko to organize the event. This allowed the mayor to reach his goal, namely that Evenko organize the race.

In addition, although this is not his main observation, the Inspector General noted that the mayor's cabinet continued control over MCE throughout the project weakened the legality

of subsidies granted by *Ville de Montréal* according to the NPO status of the event's organizer. Yet, this point was the subject of repeated caveats from the CLD.

Although Evenko obtained a substantial part of the subsidized or financed funds via its contract with MCE, it is not for the Inspector General to comment on this aspect. Therefore, the Inspector General leaves it to the Auditor General of *Ville de Montréal* to comment on the event's financial aspect within her jurisdiction.

One should note that the figures presented in this report are strictly used to help in understanding the file. They are based on the Office of Inspector General's investigation or on City public documents.

In his response to the Notice, the mayor of Montréal defended his choice to have supported the FE race and put forward certain elements the Inspector General deems important to address.

First, the mayor explained that the decision to support the FE was mainly a political choice that was linked to a clear vision for *Ville de Montréal*. This vision was based on sustainable development and Montréal's positioning as regards transport electrification, climate change, event programming, and "branding" and leadership in the development of this important vehicle for a green economy and of a vision for the future.

The mayor also mentioned that, in order to take advantage of lower the race's rights, [TRANSLATION] "one had to jump at this chance", pointing out that Canada positioned itself quickly in the 1960s to host the Formula 1 *Grand Prix* and that was what allowed to benefit from race's rights less expensive than elsewhere.

Secondly, the mayor justified the model used for the FE race indicating that it was the same as that which prevails for the Formula 1 *Grand Prix*. He emphasized that the different levels of government spend tens of millions of dollars to ensure holding of the Formula 1 *Grand Prix*, and that without this financial participation, the Formula 1 race would not take place.

The mayor of Montréal concluded by stating that if the model used for the FE was questioned by the Inspector General, it should be also be questioned for many other events.

The Inspector General deems relevant to specify that he does not question the political decision to hold an FE race in Montreal, nor the real success of the FE race in summer 2017. The Inspector General's investigation concerned rather the vehicle used to grant a subcontractor contract to Evenko, the circumstances surrounding MCE's creation, and the mayor's cabinet effective control on MCE as regards the FE race, to ensure that public policy rules where indeed observed.

In the same way, the Inspector General's investigation did not cover the structure set up regarding the Formula 1 *Grand Prix* or other events the mayor of Montréal referred to, nor the opportunity for *Ville de Montréal* to subsidize such events.



## 7.2. Intervention of the Inspector General

The Inspector General elected to use section 57.1.23 al. 2 of the *Charter of Ville de Montréal*, which gives him the power to send, at any time, to the City Council any report presenting findings and recommendations that warrant being brought to its attention.

The Inspector General already filed two recommendation reports regarding NPOs, namely that on the Jean Drapeau Park Society's (*Société du parc Jean-Drapeau*) rehabilitation and development project Horizon 2017 and that on the contracts awarded to *Montréal en histoires* within the context of the 375th Anniversary of Montréal.

The present file revealed that MCE was created at the initiative of the mayor's cabinet to take charge of a specific project and receive certain subsidies. Although a municipality may grant subsidies to an NPO it creates, the issue with the FE file's process is that the mayor's cabinet did not keep a distance from MCE to guarantee its independence and autonomy of action.

The case revealed that, from the beginning, the file was entirely managed by the mayor's cabinet.

The Inspector General does not intend to end political initiatives with this report, as they can be highly profitable for *Ville de Montréal's* profile and influence; he wishes to ensure, however, that these initiatives follow the applicable legal framework, be subject to prior financial analyses by City employees, and that their progress be transparent.

Finally, the Inspector General emphasizes that new legislation will aim to prevent the kind of situation described in this report. Some organizations, including NPOs, will now be subject to the provisions of the *Cities and Towns Act*<sup>6</sup> if they correspond to new criteria established by law. Although this is a new disposition, the Inspector General considers that an organization like MCE would have been subject to these new rules if they had been in effect at the time of the facts presented in this report.

### FOR THESE REASONS,

The Inspector General

### RECOMMENDS

1. In cases where *Ville de Montréal* initiates and funds a major event such as the FE *Grand Prix*, that a call for tenders be launched, thus ensuring transparency in the process and fair competition by fostering the interest of the greatest number of potential event promoters;

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<sup>6</sup> See Note 2.





2. When planning a major event such as the FE *Grand Prix*, that the City Director General as well as municipal employees and professionals, including organizations such as *Tourisme Montréal*, be involved as soon as possible so that the City can benefit from their expertise, independence and impartiality, especially as regards compliance with the legal framework surrounding public contracts' awarding.

**SENDS**, in accordance with section 57.1.23 of the *Charter of Ville de Montréal*, a copy of this decision to the mayor of the City as well as to the City Clerk's Office, who shall in turn send it to Montréal City Council and Agglomeration Council, as well as to the council of Ville-Marie borough.

The Inspector General,

Denis Gallant, Ad. E.

**ORIGINAL COPY SIGNED**