

Building the New City of Toronto

Status Report On Amalgamation

January 1998 - June 1999

Executive Summary

Background

The new City of Toronto was created on January 1, 1998, as a result of Provincial legislation which amalgamated seven municipalities - the regional government of Metropolitan Toronto and six local area municipalities, Toronto, North York, Scarborough, Etobicoke, East York and York.

The new City has a population of 2.4 million, making it the fifth-largest city in North America. The new Corporation has a 1999 gross operating budget of \$5.5 billion, larger than the majority of provincial government budgets. The new City provides a full range of municipal services employing, at the time of amalgamation, 46,000 staff, including those working for agencies, boards and commissions.

An enormous amount of work has been completed to date in bringing together the seven former municipalities and building a new City of Toronto. The size and scope of this amalgamation must not be underestimated. It is a complex, multi-dimensional, multi-year undertaking.

The new City government has developed a three-part corporate plan for moving the new organization forward: (1) addressing Council's priorities and initiatives; (2) completing the amalgamation of seven municipalities; and (3), building the new City of Toronto.

Amalgamation Savings

Of the new City's total gross expenditures of \$5.5 billion, 73% or \$4.0 billion constitutes previously amalgamated programs, such as police, ambulance, social services and public transit. Only 27% or \$1.5 billion constitutes amalgamating programs. Therefore, amalgamation savings can only be derived from one-quarter of the gross expenditures of the new City.

A three-year amalgamation savings target of 10% of amalgamating program expenditures, or \$150 million, has been set. In 1998/99, savings totaled approximately \$120.7 million. An additional \$29.3 million in savings will be achieved in 2000. The City is on track for achieving its target of \$150 million in amalgamation savings by the end of 2000.

The 1998/99 amalgamation savings to date have been applied against the following new costs: Provincial downloading of programs - \$61 million; Provincial downloading of Toronto Transit Commission capital costs - \$46 million; and other costs such as police wage increases - \$13 million.

A three-year staff reduction target of 10% of the workforce in amalgamating programs, or approximately 1,960 full-time equivalent staff, has been set. In 1998/99, staff reductions totalled approximately 1,780, with an additional reduction of approximately 180 staff in 2000. The City is on track for achieving its target of nearly 2,000 in staff reductions by the end of 2000.

The Province of Ontario's publicly stated goals for amalgamation included achieving cost reductions through eliminating duplication, streamlining operations and improving efficiency. The Province had commissioned a study to estimate the potential savings from the creation of a single tier government for Toronto. The study estimated savings from consolidation (i.e. amalgamation) in the range of \$81 million to \$111.8 million. The actual savings by the City in 1998/99 of \$120.7 million, and the overall target of \$150 million by 2000, is considerably greater than the Provincial estimates.

In addition to consolidation savings, the Provincial study estimated efficiency savings, through reduction of operating costs, in the range of \$147.8 million to \$251.6 million. The magnitude of estimated efficiency savings is considered overly optimistic for the immediate future. These estimates anticipate significant efficiency savings to be found not only within the 27% of total gross expenditures for amalgamating programs but also within the 73% of total gross expenditures for previously amalgamated programs including police services, ambulance services and public transit services, but excluding family and social services. They anticipate reductions in 'internal cost drivers' which include salary budgets, and use of contracting out and alternate service delivery. These types of issues have yet to be addressed by Council.

Also, Provincial efficiency savings estimates do not sufficiently recognize the previous operational efficiencies and budget reductions that had occurred in the seven former municipalities prior to amalgamation, starting in the early 1990's. They also do not recognize the subsequent additional costs to the new City as a result of Provincial downloading of programs.

Amalgamation Reductions: Highlights

As a result of amalgamation, a number of reductions in a variety of areas are being achieved. The following highlights some of the consolidated areas in comparing pre- and post-amalgamation changes.

Departments have been reduced from 52 to 6. Divisions have been reduced from 206 to 37. Executive management positions have been reduced from 381 to 154 (60% reduction). Overall management positions have been reduced from 1,837 to 1,204 (34% reduction).

Major information technology systems have been reduced or are in the process of being reduced: financial, human resources and payroll information systems from 21 to 1; tax billing systems from 6 to 1; water billing systems from 6 to 1. Information technology servers, mainframes and mainframe applications will be reduced from approximately 1,300 to slightly under 600.

Staff office space has been reduced by 143,000 square feet or 8.3% , roughly equivalent to office space within the Scarborough Civic Centre, through termination of 7 major commercial leases and space absorbed by the new Council at City Hall. Displaced staff in these areas, along with temporary year-2000 project staff have all been able to be accommodated within City-owned buildings, absorbing an estimated 225,000 square feet of space.

The City is in the process of consolidating its corporate fleet of 4,900 licensed vehicles, off-road vehicles and small equipment, with an initial minimum reduction target of 5%. Garages are targeted to be reduced from 20 to 14 by the end of 1999 (30% reduction), with additional reductions anticipated in subsequent years.

The number of City Service Boards have been reduced from 33 to 14, with key ones being library boards (from 7 to 1), boards of health (from 6 to 1), and hydro boards (from 6 to 1). The City's insurance costs have been reduced by 54% for annual savings of \$4.9 million.

Harmonizing Service Levels and Fees

The harmonization of service levels and fees represents a significant step in the development of a single City with a unified approach to important public services. In the first year of amalgamation, major services continued to be provided at pre-amalgamation levels, as the new City reviewed service level options and associated financial impacts through a public process.

A number of key service level and fee harmonization decisions were adopted by Council in April, 1999, when it approved the 1999 operating budget. Harmonization decisions were made with respect to: solid waste services; winter maintenance services; public health programs; and boulevard and parking fees. Once fully implemented over four years, these decisions will cost the City an additional \$9.5 million annually.

A number of other service harmonization decisions have also been made, particularly with respect to Works programs, as well as to a variety of fee and rate harmonization adjustments, key ones relating to water rates and hydro rates.

Streamlining Special Purpose Bodies

There were 149 agencies, boards and commissions (ABCs) associated with the seven former municipalities. Since the beginning of 1998, the City has worked on the principle that all governing ABCs would continue to operate pending a City review.

A number of reviews on the governance status of ABCs have been completed: Toronto Hydro; Toronto Housing Corporation; Board of Health; Library Board; Parking Authority; Guild Inn; and Toronto Economic Development Corporation. Council has directed that Commissioners review and report back on the future status of a number of other special committees and task forces.

Current and future work with respect to the City's special purpose bodies will focus on: eliminating duplication in programs and services; emphasizing core services and reducing non-core programs; tightening cost control mechanisms; streamlining administrative activities; and refining governance structures and membership selection.

Addressing Governance Issues

Toronto Council, at its first meeting in January, 1998, established a Special Committee to review the final report of the Toronto Transition Team. Key governance areas that the Special Committee focused on included: the location of the seat of government; the role of Community Councils; the Council-Committee structure; citizen involvement in the City's governance; and Council's Procedural Bylaw.

Council selected Toronto City Hall as the seat of government in February, 1998. Based on its experience with the interim Council-Committee structure, Council made adjustments to this structure, effective June, 1999.

The roles and responsibilities of Community Councils were also reviewed. Council adopted a series of changes with respect to Community Councils in October, 1998, which served to strengthen their role within the City's governance structure. Also, Council established policy guidelines for citizen appointments to the City's agencies, boards and commissions.

The interim Procedural Bylaw, which was adopted by Council at its inaugural meeting in January, 1998, was reviewed and a comprehensive set of changes adopted by Council in May, 1998, with further changes adopted in April, 1999.

With the completion of these major reviews, the amalgamation-related phase of Council's governance framework has concluded.

Consolidating Major Information Technology Systems

The consolidation of major information technology systems is fundamental to the successful integration of the seven former municipalities into a single City. Concurrent with this consolidation has been the need to ensure that all technological issues related to year-2000 are resolved. The City has proceeded on both fronts through a single operating framework.

Major information technology systems that have been consolidated, or are in the process of being consolidated, include: corporate communications systems; financial, human resources, payroll information system; an integrated business management system for development approval; a comprehensive parks and recreation management system; a single tax billing system; a single water billing system; and, an integrated land information system.

Corporate technology standards have been established with respect to: desktop, print and file sharing; desktop productivity tool; database of choice; and enterprise system management. Information technology facilities are in the process of being streamlined and consolidated into a main location.

Major on-going information technology issues relate to: levels of funding for technological systems improvements; staff recruitment and retention in a highly competitive marketplace; and the ability to service a large and varied clientele in a high demand, high needs environment.

Creating a New Organizational Structure

Over the past 18 months, the new City has gone through an intensive and extensive process in creating a single new organizational structure to replace the seven former municipal administrations. A three-phased approach was adopted consisting of: the establishment of an overall departmental structure for the new organization; the creation of divisions and sub-units within divisions; and the integration and rationalization of municipal operations.

The creation of six major departments was approved by Council in February, 1998. The six departments are: Community and Neighbourhood Services; Economic Development, Culture and Tourism; Urban Planning and Development Services; Works and Emergency Services; Corporate Services; and Finance.

The majority of departments completed their organizational designs and management restructuring, including recruitment to the new management positions, by December, 1998. In certain large departments, restructuring and management recruitment was completed by June, 1999. Currently, only a few program areas must finalize their organizational design and management structures, primarily in areas where further review was required.

Therefore, within the space of 18 months, 6 new departments and 37 new divisions have been created. This has been a remarkable achievement.

Harmonizing Human Resources Policies and Programs

Given the highly sensitive nature of issues relating to conditions of employment and potential financial impact on the Corporation, great care has been taken in drafting a unified set of human resources policies, programs and procedures.

The new organization has had to fill over 1,200 new management positions, along with hundreds of other positions, the large majority of which were filled through internal recruitment. There has been a strong emphasis on fairness in the process along with an employment equity focus, in light of the fact that, in many cases, there were at minimum six or seven candidates from the former municipalities competing for one position in the new organization.

Significant work took place in late 1997 and 1998 to establish separation programs for employees whose positions were deleted as a result of restructuring and downsizing, and who did not obtain a position in the new organization. These programs were designed to treat exiting employees humanely and fairly while, at the same time, being consistent with industry and legal practice.

The seven former municipalities had very different human resources policies and programs and work is proceeding in a number of areas to harmonize these. Significant work has been underway since the beginning of 1998 in analyzing salary levels for management and non-union staff as part of a major initiative to create a unified compensation and benefits program. For unionized employees, harmonizing pay rates and benefits programs are subject to the negotiation process.

Within the seven former municipalities, there existed over 50 collective agreements, the majority affiliated with the Canadian Union of Public Employees and with the Toronto Firefighters association. The City is currently in the process of negotiating first collective agreements. In total, there are six bargaining units in the new City for which six collective agreements must be drawn up.

Implementation of major components of the integrated Human Resources Information System by November, 2000, will lay the technological foundation for a single, City-wide management system and will result in more effective and efficient decision-making regarding the utilization of human resources. This, together with the finalization of the compensation and benefits programs and first collective agreements, will serve to further stabilize the new organization.

Consolidating Departmental Operations

The integration of day-to-day operations of the services and programs of the seven former municipalities is an enormous and complex undertaking. It affects literally thousands of activities. It involves a multitude of policy decisions with respect to how operations and programs should be carried out. It involves examining all business processes to analyze the many different ways they were carried out in the former municipalities and to develop new integrated ways of providing service which is streamlined, efficient and effective.

All departments have been actively engaged in major business integration activities over the past year, a number of which are highlighted in this report. Many of the consolidation activities have required the acquisition of new technology for business applications, the renovation of existing facilities and the hiring of technical and professional expertise with respect to specific program areas. The one time transition costs for these types of activities for the years 1998 to 2001 are \$153.3 million.

Of this figure, 93% relates to business applications and facilities renovations. It is difficult to separate out pure amalgamation costs in these areas from costs that would have been incurred normally in carrying out regular operations. In fact, some of the former municipalities had deferred expenditures in these areas in light of the pending amalgamation. Therefore costs would have been incurred in these areas regardless of whether amalgamation had occurred.

When costs associated with preparing for Provincial downloading of programs (\$6.2 million) and staff exit costs (\$50 million) are included, the total one-time transition costs approved by Budget Committee and Council for the years 1998 to 2001 are \$209.6 million.

Planning for the Future

Building the new City of Toronto requires planning for the future. It involves not only the complex task of consolidating seven municipalities but also creating a common vision for the future.

The new City has adopted an integrated approach to City building. It combines Council's Strategic Plan, which sets out a vision for the future of the City and the Corporation's contribution to that vision, with a Corporate Management Framework, which is designed to translate Council's vision and directions into a series of implementation objectives within the organization.

Council is currently engaged in the process of developing a Strategic Plan, with working groups identifying goals and strategic directions under four themes: community, economy, environment and governance. The Strategic Plan is linked to other related planning activities, including the development of a new Official Plan, a social plan, an economic development plan, an environment plan, and an infrastructure plan.

The Corporate Management Framework will implement the goals and directions articulated in the Strategic Plan through multi-year program plans, annual budget plans and evaluation of employee performance tied to program objectives.

Corporate values and aspirations will set the direction for the new Corporation. These values and aspirations include: ensuring a high quality of life for all citizens through the provision of excellent municipal services; having a reputation for innovation and leadership in the municipal sector; being an employer of choice and one that communicates effectively; being a fiscally prudent organization that plans actively and with a long term view.

Building a new corporate culture takes time. There is an adjustment period, as the City moves from the old to the new, that needs to be recognized. It is a tribute to the dedication of Council and staff that so much has been accomplished in the first 18 months of the new City.

The Challenges Ahead

To date, key amalgamation-related savings and reductions are on track - budget and staff reduction targets have been met, and amalgamation savings have off-set costs as a result of Provincial downloading of programs and other costs, thus avoiding potential property tax increases. Regular municipal services have continued to be delivered, while major internal changes have been underway. All of these activities combined have required extraordinary effort on the part of staff in all departments.

Toronto still faces many challenges in building a new City. Council must develop a compelling vision for the new Toronto through its Strategic Plan. The Corporation must continue to strengthen its fiscal capacity without impacting negatively on property taxes. Council must address difficult choices with respect to core programs and service delivery options. The City must complete the harmonization of service levels, the integration of operations, the consolidation of key corporate assets, and the streamlining of selected agencies, boards and commissions. It must finalize the compensation plan, benefits programs and first collective agreements. This is an ambitious agenda which calls for strong commitment, dedication and cooperation.

What Citizens Say

The most important judges of the success of amalgamation are the citizens of Toronto. When citizens were asked about amalgamation in the spring of 1999, 70% of Toronto residents stated that they were satisfied with life after amalgamation (Environics Research). Another survey revealed that 66% of Torontonians who stated an opinion felt that amalgamation was a success (Ekos Research). In June, 1999, 79% of Toronto residents felt that Council was on the right track in terms of where it was taking the new City of Toronto (Angus Reid Group).

During this time of rapid and major change, the needs and concerns of Toronto citizens must be the first priority. A commitment to continuing to improve the quality of life of the City, a commitment to actively engaging citizens in their community, and a commitment to building the finest City in the world are noble aspirations for the new City of Toronto.