

November 24, 2004

TO: Members of Council

FROM: Mayor David Miller

SUBJECT: Review of the City's Administrative Structure

The City's senior management structure was approved in 1998 with a focus on implementing amalgamation, maintaining public services, harmonizing service delivery methods and integrating systems and processes. This 1998 structure was recognized as a work in progress requiring periodic review and adjustment.

We have now turned the page on amalgamation and shifted our focus to City-building efforts. It is time to look at our senior management model to be sure that we have the right administrative structure to meet the City's challenges.

In May, 2004, I asked the Chief Administrative Officer to conduct a review of the City's departmental structure. Today I am making recommendations to move ahead with a new senior management model.

The recommended model places the focus on citizens – people will know who is responsible for the services being delivered and the leaders of those services will be able to work directly with the community and Council. This responds to concerns we have heard from the public during the past months.

The model also:

- increases emphasis and accountability on working together, across program areas to deliver Council's priorities;
- strengthens oversight capacity and supports the City as an order of government;
- encourages City staff to focus on services to citizens, and sets the stage for a more innovative and nimble Toronto Public Service.

The recommended changes will be made within the following context:

- No disruption to day-to-day public service delivery
- No change to program reporting relationships to Standing Committees at this time
- Continued focus on delivering Council's priorities
- Changes will be achieved with no upgrade in existing job classifications

- Economies achieved in administrative, technical and other support areas will be maintained and further enhanced where possible

Restructuring Goals

I identified six goals to guide the administrative review. These goals are based on several factors: input from citizens leading up to this term of Council and early in this term through the “Listening to Toronto” process, discussions I have had with other members of Council, and experience with the current structure.

I believe that the City needs a structure that:

1. Facilitates residents’ access to services and their engagement as citizens of Toronto
2. Supports the priorities of Council
3. Increases horizontal collaboration across the City’s services and programs to implement Council’s priorities
4. Encourages staff innovation and contribution to move to city-building
5. Strengthens the administration’s ability to support the City as an order of government
6. Gives people in charge of day to day operations the tools they need to effectively do their jobs

Review Process

The firm of Western Management Consultants was retained to conduct two elements of the review:

- a) Data Collection and Analysis:

Interviews were conducted with the Mayor, a sample of other Council members including some who chair a Standing Committee, Special Committee or Community Council, the CAO, six Commissioners, and a cross-section of approximately 60 staff members. All were assured anonymity to ensure they felt comfortable sharing their comments candidly. The key findings and conclusions from the interviews provided a diagnostic framework for the development of models.

Staff also conducted research into management models used in other jurisdictions including Vancouver, Montreal, Ottawa, Hamilton, Halifax, Chicago, the Province of Ontario and the Federal Government. This information was provided to the external consultants.

b) Model Review and Validation:

The external consultants provided input on the development of models based on their extensive experience with reviews of this nature, their understanding of other jurisdictions (federal, provincial, municipal) and their expertise in organizational theory and design. The consultants also offered advice on the organizational principles and criteria used for assessment. Finally, the consultants carried out a validation process for the recommended model with an assessment of its qualities and risks in light of the City's current environment and the restructuring goals. This assessment is provided under separate cover.

The CAO and I also had an opportunity to speak to people from the business, labour, and academic sectors, and from other orders of government. Their comments and experience with large scale organizational change and their advice about the City's organizational challenges provided additional guidance to the recommendations I am making in this report.

Key Findings

The external consultants identified several key findings:

Functional Issues:

- The current structure does not provide for sufficient delegation to operating services, thus creating a bottleneck and reducing the effectiveness of service delivery.
- Delegation is hampered by the view that Commissioners are wholly accountable for their departments; Council has high expectations regarding Commissioner availability and a detailed level of expertise within their portfolios.
- Lack of delegation is perceived as a lack of trust in the ability of operating services to take on more authority for day-to-day operations.
- The structure does not promote strategic direction setting or collaboration on horizontal issues; departmental priorities compete with organization-wide or interdepartmental priorities.
- Better administrative governance and compliance capacity is required, i.e. the ability to create policies, standards and procedures necessary to operate the City in accordance with Council's direction, and exercise the necessary oversight to ensure that administrative governance is respected.
- Better separation of service and compliance components is required to reduce barriers to innovation and improve service, i.e., in some areas excessive centralization is hindering innovation and service; in some areas insufficient centralization is impeding better governance.
- Affinities are in the eye of the beholder – service groupings that seem natural from one perspective may not make sense from another.

- Amalgamation has made Council/Staff relations more complex – the merging of services and cultures and the creation of a very large Council have resulted in difficult Council/Staff relations.

Findings from Jurisdictional Research:

Although size and service complexity differ among the cities examined, most have structural characteristics much like Toronto's:

- All have CAOs or City Managers; some have taken steps to strengthen that function;
- All use a clustering approach for management oversight, i.e., several programs reporting to a senior manager; there is no example of a totally flat structure;
- Most cluster functions; none of the other jurisdictions reviewed have all public service operating functions reporting directly to the CAO;
- Direct reporting relationships to the Mayor and Council are few;
- Some cities have restructured internal (not direct service delivery) functions to separate governance and compliance components from transactional components;
- Some City Managers have governance and compliance functions (such as human resource policy functions, internal audit) reporting directly to them.

The Ontario government has recently strengthened the governance capabilities of Cabinet Office by creating deputy minister positions responsible for policy, results-based planning, human resources/transformation and communications. To achieve the desired "horizontal" behaviours and to manage the Ontario Public Service as a single organization, the Ontario government has strengthened compliance functions in central agencies.

Consultant's Summary Conclusions

The external consultants identified key improvements to achieve the City's restructuring goals. Key improvements identified are:

- Ability to innovate and take initiative
- Ability to respond quickly to new priorities or directions
- Ability to work together (across departments) on City-wide initiatives
- Ability to exercise organizational governance and compliance and take a strategic view
- Ability to apply appropriate levels of delegation and authority in the citizen-focused services for day to day operations.

Organizational Principles

Based on the review goals, findings and conclusions, four principles were identified to guide organizational change:

Chart 1: Organizational Principles

Goal	Organizational Principle and Assessment Criteria
<ul style="list-style-type: none"> • Access by residents and their engagement as citizens • Support Council priorities 	<p>CITIZEN FOCUSED</p> <ul style="list-style-type: none"> • Reflects the services that are important to citizens of Toronto • Is easily understood by the public • Supports the achievement of Council priorities • Has strong service delivery capacity for citizen focused services
<ul style="list-style-type: none"> • Support Council priorities • Support the City as an order of government • Increase horizontal collaboration • Give people in charge of day-to-day operations the tools to effectively do their jobs 	<p>EFFECTIVE BALANCE OF ADMINISTRATIVE GOVERNANCE, COMPLIANCE AND DELEGATION</p> <ul style="list-style-type: none"> • Develops and monitors management standards, systems of checks and balances • Develops and co-ordinates corporate and inter-program policy • Supports the effective balance of decentralization to enhance innovation and centralization to ensure good administrative governance • Supports the effective delegation for day-to-day provision of services
<ul style="list-style-type: none"> • Support Council priorities • Support the City as an order of government 	<p>STRATEGIC LEADERSHIP</p> <ul style="list-style-type: none"> • Enables the development of positive values, culture and behaviour • Promotes strategic planning and development of long term goals • Promotes co-ordination, collaboration and innovation across the organization
<ul style="list-style-type: none"> • Support Council Priorities • Increase horizontal collaboration • Encourage innovation and contribution 	<p>ADAPTABLE, FLEXIBLE, INNOVATIVE</p> <ul style="list-style-type: none"> • Promotes effective inter-program and cross-discipline collaboration • Adapts to changing public needs and service priorities • Reduces barriers to innovation • Rewards initiative and encourages the engagement of staff in their work • Encourages a working climate where employees know their work is valued

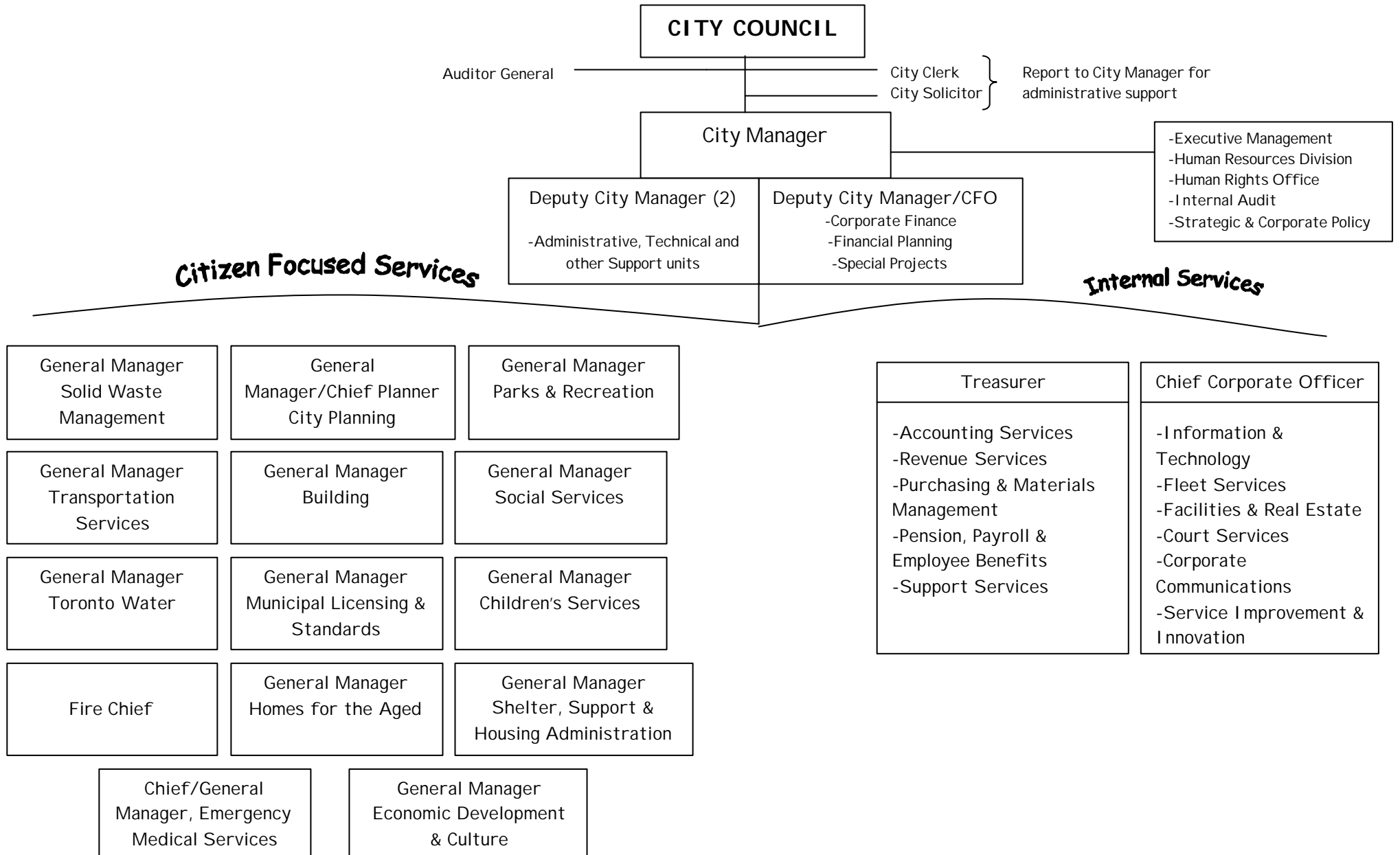
Recommended Model

In consultation with the CAO and with the help of the external consultant's findings and conclusions, I am recommending the model shown here (Chart 2).

In the early stages of the review concern was expressed that restructuring should not destabilize the organization. At the same time, people clearly expressed an openness to change and improvement. The recommended model maintains stability in front line services, and increases stability through improvements to corporate oversight activities. It re-balances the organization by properly aligning corporate control and corporate support functions together to improve administrative governance, while strengthening service delivery capacity for citizen-focused services.

Chart 2: Recommended Model

Citizens of Toronto



Management Roles and Responsibilities

The new model requires adjustments to roles and responsibilities in some cases; in other cases reporting relationships will change. New management decision-making forums and teams will be developed to support the new structure.

Role of the City Manager

The CAO's title will be changed to City Manager to better communicate the function and reflect the new model. All of the responsibilities of the current CAO position will be maintained in the City Manager's role.

A Deputy City Manager/Chief Financial Officer, and two Deputy City Managers will assist in administrative governance and oversight activities. Together, these positions will focus on delivering Council's priorities and achieving corporate objectives.

Role of Deputy City Managers

The existing Commissioner positions will be deleted.

The Deputy City Managers will not be responsible for day to day operations or program advocacy as has been the case with the current Commissioner positions. Their primary responsibilities will be to assist the City Manager in administrative governance and oversight activities, and to ensure that programs and services are working together to deliver excellent services to citizens and achieve Council's priorities.

The Deputy City Managers will:

- promote collaboration and innovation across the organization and ensure horizontal integration between programs and services to achieve Council's priorities;
- lead city-wide initiatives and projects as assigned by the City Manager;
- co-ordinate and align budgets and resources for a group of programs, to achieve Council priorities;
- undertake performance management for a group of programs;
- manage administrative, technical and other support functions to ensure economic and efficient delivery of these services. These functions are currently organized on a departmental basis, but will report to a Deputy City Manager in the new model.

Each of the Deputy City Managers will be assigned performance management and budget co-ordination responsibilities for one of the following groups:

Group A
Solid Waste Management
Transportation Services
Toronto Water
Fire Services
City Planning
Building
Municipal Licensing and Standards

Group B
Homes for the Aged
Social Services
Children's Services
Shelter, Support & Housing Admin.
Parks and Recreation
Economic Development and Culture
Emergency Medical Services

Role of Deputy City Manager/Chief Financial Officer

Three large functions will move out of the current corporate services grouping in the recommended model: Human Resources will report directly to the City Manager; the City Clerk and the City Solicitor will continue to report directly to Council for statutory legislative and performance purposes, and will now report to the City Manager for administrative support.

These changes, and the move away from the current departmental structure, have prompted a realignment of the remaining corporate services and finance functions. The corporate services functions will report to the Deputy City Manager/Chief Financial Officer through a new position of Chief Corporate Officer. The financial transaction functions will report to the Deputy City Manager/CFO through a Treasurer position. The Treasurer will also be designated as "Treasurer" under the Municipal Act, 2001, S. 286(1).

In the new model, the Deputy City Manager/CFO will be freed up to focus on corporate finance, corporate financial planning and budget development. The Deputy City Manager/CFO's management team and their group of functions will be an important component of the organization's strengthened administrative governance and oversight capacity.

Role of General Managers

The Commissioner-led departmental structure will no longer be in place. The roles of the heads of citizen-focused services will be clarified. For public clarity and consistency, the nomenclature of General Manager will be used in position titles (with the exception of the Fire Chief). These positions will:

- represent their program areas at Standing Committees and Council and be responsible to Council for service objectives and results;
- sign reports to Council and answer service related questions at Standing Committees and Council;
- work with Council and the community on operational issues and be accountable for day to day operations;
- focus on operations and program stewardship;

- have delegated signing and spending authority within approved budgets, similar to that currently delegated to the General Manager, Toronto Water;
- be responsible for human resource and budget management within their programs;
- work collaboratively together to achieve Council priorities.

A new position of General Manager of Economic Development and Culture is required because of the elimination of the departmental structure. This position will lead the current functions of economic development, tourism, and culture. Some degree of realignment will be required in the new structure.

Assessment of the Model

The model was assessed against the organizational principles set out in Section 7 (Chart 3).

Chart 3: Assessment of the Model

Principle	Attributes of Recommended Model
Citizen Focused	<ul style="list-style-type: none"> • Highlights the importance of citizen focused services through General Managers' reporting relationship to Council for service objectives and results. • Titles and functions easily understood by the public especially for front line services • Facilitates the General Manager level working directly with the community and Council on issues that are important to the public • Clearly identifies citizen focused services apart from those that are primarily internal service driven
Effective Balance Of Administrative Governance, Compliance and Delegation	<p>Effective delegation through:</p> <ul style="list-style-type: none"> • Enabling General Managers to report on and speak to service issues at committee and Council • Delegating appropriate signing and spending authority within approved budgets to General Managers (devolution of a degree of signing and spending authorities currently assigned to Commissioners) • General Managers will be the senior staff persons responsible for managing the delivery of programs <p>Stronger administrative governance capacity through:</p> <ul style="list-style-type: none"> • Deputy City Manager/CFO focus on corporate finance, financial planning and budgeting rather than on transactional matters • Deputy City Managers and Deputy City Manager/CFO to assist the City Manager in oversight responsibilities and the implementation of management standards, checks and balances in program areas • Frees up Deputy City Managers to focus on oversight and inter-program coordination and integration to achieve Council's priorities, instead of day to day operations and program advocacy • Direct reporting relationship for key corporate functions of Human Resources and Human Rights

Principle	Attributes of Recommended Model
Strategic Leadership	<ul style="list-style-type: none"> • Creates capacity to support the City as an order of government by establishing an administrative governance team separate from day to day operations • Ability to pull together different combinations of people required for strategic thinking, long term planning and decision making • Encourages input and ideas from all levels of management through de-layering and delegation of responsibility and accountability
Adaptable, Flexible, Innovative	<ul style="list-style-type: none"> • Deputy City Managers and General Managers will be accountable for working horizontally to achieve Council's priorities • Flatter organization at programs is more adaptable to changing public needs • Encourages openness to innovation by making General Managers directly responsible for effective and nimble service delivery

Other Organizational Issues

During the review several additional organizational issues were raised that require further study and action. I am recommending that the CAO undertake these further reviews.

Human Resources: the Human Resources function is responsible for such major issues as labour relations and the need for increased investment in staff training and development. The review pointed to the need for a more direct reporting relationship for this function to the CAO and that change is part of the recommended model. A further review of the Human Resources function is required, including the potential for separation of policy/compliance and service functions.

Human Rights Office: Earlier this year, City Council approved the Auditor General's recommendation for the Human Rights Office to report to the CAO. The Auditor General stated that "the current placement of the Human Rights Office within Human Resources Division is not commensurate with the degree of importance of this particular function, nor is it conducive to the perception of independence. In our view, locating the Human Rights Office in the Chief Administrator's Office would be more appropriate". This reporting relationship change for the Human Rights Office is part of the recommended model. The process for dealing with human rights matters will need to be adjusted to reflect this direct reporting relationship and administrative support will continue to be provided from Human Resources during the implementation phase.

Corporate Communications: the review pointed to the need for improved strategic communications and issues management capacity and I am recommending a review of the role and responsibilities of the corporate communications function with a focus on establishing this capacity in the City Manager's Office.

Affordable housing programs: Council has established a range of housing policies and programs over the past few years. More recently the federal and provincial governments have introduced new initiatives and are seeking partnership opportunities with the City of Toronto. In light of these and other developments it is appropriate for the City to develop a more integrated and results-based approach to the implementation of affordable housing policies and programs. I am recommending a review of the roles, responsibilities, and organizational location of the City's affordable housing programs including recommendations for an integrated set of affordable housing goals and administrative adjustments required to achieve the goals. The outcome of this review is to be reported to Council prior to the end of March, 2005.

Internal Corporate Services and Finance functions: One of the first priorities for the Deputy City Manager/CFO and the new management team in this area will be to align the grouping effectively. In light of the external consultant's findings, the separation of service and compliance components within the functions is essential to reduce barriers to innovation and improve service delivery.

Administrative, technical and other support functions: Administrative support and technical services are currently organized on a departmental basis as are some policy development and co-ordination functions. This model has achieved economies which must be maintained in the future. These functions will report to a Deputy City Manager in the new model, however further review is required on the provision of support and other centralized services within the new management model.

Council/Staff Relations: I am mindful that a new structure on its own will not address concerns about Council/staff relations. However, the new model presents us with an opportunity to build a mutually effective, respectful, and trusting relationship and to work together with staff to achieve our mutual goals for the City.

Employment Contracts: During the review concern was raised about the form of the employment contracts that the City uses for senior executives. I am recommending that I be authorized to retain an external legal firm to provide advice on this issue and that I report to Council with any recommended changes to the use and form of employment contracts.

Conclusions

I believe that the recommended model strengthens the City's ability to deliver public services to the citizens of Toronto and deliver on Council's priorities. It positions the administration to support the City as an order of government, and sets in motion improvements to create a better working climate for employees. I look forward to working together with all members

of Council and staff to make the City an excellent and professional public service organization.

Recommendations:

It is recommended that:

- (1) the new senior management model (Chart 2), and the senior management roles and responsibilities outlined in this report be approved effective April 15, 2005;
- (2) the two positions of Deputy City Manager be filled through an open, internal/external, competitive process, administered by the CAO;
- (3) the Employee and Labour Relations Committee be responsible for making recommendations to Council on the outcome of the Deputy City Manager competition, with the advice and support of the CAO during the competition process;
- (4) the Chief Administrative Officer recommend to Council appropriate delegation of signing and spending authority within approved budgets to the existing General Manager level positions shown under Citizen Focused Services in Chart 2, and that these authorities be effective April 15, 2005;
- (5) responsibility be devolved to the existing General Manager level positions shown under Citizen Focused Services in Chart 2 for signing reports and representing their program areas at Standing Committees and Council, effective April 15, 2005;
- (6) the title of Chief Administrative Officer be changed to City Manager, effective April 15, 2005;
- (7) the Chief Administrative Officer be directed to review the role, responsibilities and organizational location of the City's affordable housing programs including recommendations for an integrated set of affordable housing goals and administrative adjustments required to achieve the goals and to improve the City's capacity to facilitate affordable housing opportunities for the residents of Toronto, and that the outcome of the review be reported to Council prior to the end of March, 2005.
- (8) the Chief Administrative Officer be directed to undertake reviews in the following areas and implement any resulting changes:
 - (a) Human Resources, including the potential for separation of policy/compliance and service functions;

- (b) Corporate Communications, with a focus on establishing strategic communications and issues management capacity;
 - (c) Corporate services and finance functions, to ensure effective alignment in the new model and the separation of service and compliance components to reduce barriers to innovation and improve service delivery;
 - (d) Administrative, technical and other support services, to rationalize the provision of these services in the new model;
 - (e) Economic Development, Culture and Tourism, functional realignment, prior to recruiting a General Manager of Economic Development and Culture.
- (9) The Mayor be authorized to retain an external legal firm to provide advice on the form and use of employment contracts used for senior staff and report back to Council on any recommended changes;
- (10) the City Solicitor be authorized to introduce the necessary bills in Council; and
- (11) the appropriate City officials be authorized and directed to take the necessary actions to give effect thereto.

Mayor David Miller