

Municipal Mergers: The New City of Toronto Experience

THE MOMENTUM FOR CHANGE in government in the Toronto, Ontario, Canada, area had been building for at least 10 years. The only consensus was that, firstly, the status quo was no longer an option and, secondly, throughout any change process, services must continue to be delivered to the residents, businesses and visitors without any interruption.

When “change” finally arrived, it was sudden, with little preparatory time, and it was massive. On Jan. 1, 1998, the new “amalgamated” City of Toronto was born. As many can attest, the amalgamation process has not always been smooth sailing. In fact, the experience could be likened to a white water rafting adventure: sometimes calm, sometimes rocky, sometimes slower than you anticipated, sometimes a bit faster than you would like, sometimes you get carried along with the flow, sometimes you tip and think you are going under the white water and sometimes you are not sure what is around the next bend. But one thing is for sure—the journey has been an interesting one. The following is a synopsis of our amalgamation experience.

GOVERNANCE STRUCTURE HISTORY

A new regional government known as Metropolitan Toronto was formed in 1953 as a two-tier federated system that balanced regional and local powers. The new government was given greater powers and responsibilities than had been accorded any municipal government of regional scope in Canada. The lower tier

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comprised 13 local municipalities with elected councils but with mostly reduced responsibilities (see Table 1).

In 1967, the number of local municipalities was reduced by amalgamation from 13 to six. The six were the Cities of Etobicoke, North York, Scarborough,

Toronto, and York and the Borough of East York, as shown in Figure 1.

WARNING: MERGE AHEAD

Through the 1970s and 1980s, minor adjustments were made to the Toronto area governance structure. However, in the early 1990s, there was considerable concern that the quality of life that people in the Toronto area had historically enjoyed was under threat. People felt over-governed and unfairly taxed and worried that the systems they had relied on—from municipal finance to public transit—were broken or no longer able to meet their needs.

On April 1, 1995, a Task Force on the Future of the Greater Toronto area was created by the Premier of Ontario in response to growing concerns about the future health and workability of the urban region. The concerns to be addressed by the Task Force were identified as follows:

- Economic growth was flagging (lagging recovery from the early 1990s recession);
- Inequities in the property taxation system were deepening and combined with an eroding tax base were threatening the region's economic stability;
- The infrastructure was not keeping pace with the competitive needs of business and industry;
- Urban development patterns were too costly and inefficient;
- Municipal governments had neither the authority nor the capacity to deliver services efficiently; and
- Government structures were increasingly ill equipped to meet the competitive challenges of the global economy facing the city-region.

Just as the Task Force started its work, a Provincial election was held that resulted in a change of government from the New Democratic Party to the Conservative Party (a move from the left to

the right of the political spectrum). Although the new Provincial government renewed the mandate of the Task Force, the timeframe was shortened considerably, and the focus appeared to change from “achieving improved governance structure” to “reducing government spending.” Ultimately the Province legislated the City of Toronto Act 1997 that introduced a new single tier City of Toronto. Few of the Task Force's recommendations were adopted by the Provincial government.

AMALGAMATION

After years of commissions and task forces, the new City of Toronto was created on Jan. 1, 1998, amalgamating the regional government of Metropolitan Toronto and the six local area municipalities.

The new Toronto is large, diverse and complex.

- With a population of 2.4 million, it is the fifth largest city in North America;
- The corporation has a gross budget of \$5.5 billion (Canadian);
- The city covers 632 square kilometers;
- There are 900,000 dwellings and more than 473,000 properties; and
- There are more than 10,300 streets, 6,200 kilometers (km) of roads, 1,850 traffic control signals and over 152 km of shoreline along Lake Ontario.

As shown in Table 1, many of the major municipal services prior to amalgamation were delivered solely by Metropolitan Toronto (regional government). Although these services were relatively unaffected by the amalgamation process, staff delivering these services were also subject to significant budget pressures and general municipal downsizing plans.

At the time of amalgamation, approximately 46,000 full-time-equivalent employees worked for the former municipalities and their agencies, boards and commissions. Of this number, approximately

24,000 employees worked in services solely provided by either the former regional government of Metropolitan Toronto or by the local municipalities. These services included ambulance services, police services, the Toronto Transit Commission (T.T.C.), social services, children's services and homes for the aged. The remaining 22,000 employees worked in programs where there was some degree of duplication and/or overlap.

SCOPE OF CHANGE

The Province of Ontario's publicly stated goals for the amalgamation of the six local governments and the regional government of Toronto into a single city included achieving cost reductions through eliminating duplication, streamlining operations and improving efficiency in service delivery.

It is important to note that while the new city's total gross expenditures for 1998 were \$5.5 billion, only \$1.5 billion (27 percent) constituted duplicated programs. The majority of expenditures in the new city relate to previously non-duplicated services (primarily, in dollar terms, community services, police services and the T.T.C.).

In 1998, the City of Toronto set an amalgamation savings target of \$150 million over three years. This represented a reduction of 10 percent of the \$1.5 billion gross expenditures of the duplicated programs.

Based on reports from the city's Finance Department, the city's three-year amalgamation savings target appears to be on track. The bulk of amalgamation savings have been achieved through staff reductions and the resultant savings in salaries and benefits. Some savings also have been achieved in non-salary items through service rationalization initiatives in the amalgamating programs.

The highlights of the organizational reductions that have occurred to date are shown in Table 2.

To provide an example of the scope of activity of departments/divisions, Table 3 presents the new Works and Emergency Services Department, a very large department of 10,000 staff of whom approximately 1,500 staff work in the Transportation Services Division.

Table 1. Distribution of municipal responsibilities.

Metropolitan Toronto Council	Local city councils
Community services	
Police Ambulance	Fire protection Public health
Public transportation	Electricity distribution District heating
Water purification Sewage treatment Waste disposal	Water distribution Sewage collection Waste collection
Major roads (all functions) Traffic-signal control	Local roads (all functions)
Regional parks	Local parks Community centers
Cultural activities	Cultural activities
Public housing	Public housing
Licensing of businesses	Inspection of buildings Historical preservation
Regional planning	Local planning
Reference library	Public libraries
Exhibition center	
Zoo	



Figure 1. Six local municipalities comprising Metropolitan Toronto.

AND YET...MORE CHANGE

Significant changes in the public sector had already occurred in the 1990s prior to amalgamation. All seven municipalities had gone through a prolonged period of budget cuts for nearly a decade in response to the severe economic recession of the early 1990s and the former councils' emphasis on a zero property tax increase or very limited increases.

In addition, in the latter part of the decade, major changes occurred in Canada with respect to federal/provincial/municipal funding arrangements. To address the national deficit, provinces received reduced funding from the federal government. In response, the provincial government announced a series of shifts in responsibility for specific programs between Ontario municipalities and the

Table 2. Organizational changes.

	Prior to amalgamation Seven municipalities	After amalgamation One municipality
Number of departments	52	6
Number of divisions	206	37
Number of executive positions*	381	154
Number of management positions, including supervisory positions	1,837	1,204

*including Chief Administrative Officers, City Managers, Commissioners, Deputy Commissioners, Executive Directors, General Managers and Directors

Table 3. New Works and Emergency Services Department.

Department	Divisions	Number of sections in division
Works and Emergency Services	Ambulance services	4
	Fire services	8
	Solid waste management services	4
	Support services	6
	Technical services	5
	Transportation services	6
	Transportation Programming/Policy	
	Transportation Services District 1	
	Transportation Services District 2	
	Transportation Services District 3	
	Transportation Services District 4	
	Transportation Systems	
	Water and wastewater services	5

province with no additional funding being provided. The financial result for the new City of Toronto was the downloading of costs from the province that were greater than those that were taken up by the province. The major downloaded areas were social services, public transit, social housing and highways. Therefore, not all of the issues/challenges facing the newly amalgamated management team of the City of Toronto could be directly attributed to amalgamation. The overall financial/funding environment contributed as much to the turbulent atmosphere as amalgamation, if not actually more.

AND YET...MORE PRESSURES

In addition to the massive restructuring of staff and services, the city staff have

had to contend with three other activity areas while delivering regular services to the citizens of Toronto. These areas are:

- Corporate Initiatives/One-Time Events;
- Financial/Human Resources Information Systems; and
- Staff Recruitment.

Corporate Initiatives/One-Time Events (Death by 1,000 Initiatives)

In the past two years, a major number of corporate initiatives and one-time unusual events have added significant time demands and pressures on staff. Some examples are:

- Contingency planning and corrective actions for Y2K;
- Contingency planning for labor

disruptions (both inside and outside unionized workers);

- Harmonization of staffing issues (organization structure, job descriptions, interviews, etc.);
- Business process re-engineering and harmonization;
- Coping with a series of major snow storms in January/February 1999;
- Development of indices for performance measurement;
- Introduction of performance management;
- Coping with separate transit and hydro strikes;
- Development of business plans and strategic plans;
- Providing input into the development of a new city "Official Plan";
- Planning for the 2008 Olympic bid; and
- Development of a "Waterfront" vision.

Financial/Human Resources Information Systems (Data Starvation)

Major information technology systems have been consolidated, or are in the process of being consolidated, including: corporate communications systems; financial, human resources, payroll information systems; 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.

Of particular significance are the financial and human resources information systems that provide essential data to managers. Each of the seven former municipalities had different systems. The city is in the process of establishing a unified human resource/payroll system, SAP, which will collapse the 21 systems into one.

Two major problems have been encountered. Firstly, due to the need for rapid implementation, less-than-meticulous mapping of financial and human-resource data has been conducted. For example, in a former local municipality, one individual and his/her budget may have been associated with three or four activities. For each activity, the portion of the individual and budget had to be

moved from a previous organizational structure to a new organizational structure. This move often involved four or five steps. New managers need to know the available resources, both human and financial. However, due to imperfect mapping procedures, the response to the questions "how many staff do I have?" and "what is my budget?" is often less than scientific. This situation has not yet been resolved in many cases and requires numerous meetings in an attempt to resolve boundary issues with other managers. Secondly, the previous information systems have been closed down before the new system became fully functional. Frequently managers question how it is possible to efficiently manage programs without key information. As we all know from experience, good questions do not always receive good answers!

Staff Right-Sizing (Morale Taxation)

Since almost all non-union employees had to apply for a job with the new city, the new organization had to fill over 1,200 management positions, primarily through internal recruitment. In many cases, six or seven candidates from the former municipalities were competing for one position in the new organization. This situation resulted in the inevitable relocation of colleagues to new positions within the city to new positions in the private sector or to early retirement.

Separation programs were established for employees whose positions were deleted as a result of restructuring and downsizing, and who did not obtain a position in the new organization. By industry standards, the separation programs were generous for longer-serving staff and, in many cases, helped minimize the transition trauma.

For those employees who remained with the new city, the term "survivor" was often applied to describe their situation. Signs of survivor trauma were periodically observed such as anger, stress, lack of trust, risk avoidance and guilt.

Despite these difficult circumstances and the internal turmoil, most employees succeeded in focusing on getting their jobs done (see sidebar "Managing in the White Water" on page 47).

WHAT CITIZENS SAY

The most important judges of the success of amalgamation are the citizens of Toronto. Born on Jan. 1, 1998, amidst great public controversy, the amalgamation of the new city has proceeded, from the public's perspective, relatively quietly over the past two years. When citizens were asked in the spring of 1999 about amalgamation, 70 percent of Toronto residents stated that they were satisfied with life after amalgamation (Enviro-nics Research). Another survey revealed that 66 percent of Torontonians who stated an opinion felt that amalgamation was a success (Ekos Research). In June 1999, 79 percent 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).

MAJOR GUIDEPOSTS

Given the size, scope and magnitude of the new city, the integration of the seven former municipalities is a complex, multidimensional, multiyear undertaking. By and large, the majority of integration and consolidation initiatives are targeted for completion within a three-year timeframe—from the beginning of 1998 to the end of 2000.

Eleven major guideposts will signal the completion of amalgamation:

- Benefits of amalgamation demonstrated by reduced costs and streamlined processes;
- Major public services harmonized;
- Selected agencies, boards and commissions streamlined;
- Major governance issues resolved;
- Key information technology systems integrated;
- Organizational structuring of departments completed;
- Major operational, program and corporate policies consolidated;
- Major human resources and labor relations issues resolved;
- Major business processes reviewed, including evaluation of alternative service delivery models;
- Office space consolidation and staff appropriately relocated; and
- Emergence of a positive new organizational culture and shared vision.

Notwithstanding these major changes, the corporation must continue, at the same time, to provide high caliber, uninterrupted services to the public. Roads and sidewalks must continue to be maintained, garbage must be collected, safe drinking water must be provided, emergency fire service must be available, public health services must be provided, library doors must be open, development applications must be reviewed, properties must continue to be inspected for health and safety, parks must be maintained, recreation programs must be delivered and so on. All of these activities combined are requiring extraordinary effort on the part of staff in all departments.

THE CHALLENGES AHEAD

The Mayor of the new city, Mel Lastman, said recently, "Our new city did not come with a set of instructions. Thousands of municipal services must be brought together and harmonized. No other municipal government in our country has ever undergone an evolution of this nature."

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 that calls for strong commitment, dedication and cooperation. If this sounds easy, we can assure you it is not.

CONCLUSION

In reality, it is premature to draw conclusions at this time. My prediction is that it will take two terms of city council, namely six years from early 1998 until 2004, before a new positive staff culture emerges and the full benefits of amalgamation are realized.

Managing in the White Water

It can come as no surprise and it would certainly be no exaggeration to state that the turmoil, turbulence and transformation has resulted in the following effects on staff:

- Increased work hours to keep up with the increased workload while learning new tasks;
- Increased stress due to a combination of fear, fatigue and uncertainty;
- Reduced productivity since it takes longer to get things done;
- Reduced quality in some areas;
- Decreased morale; and
- A loss of the linkages to staff in other divisions/departments (need to relearn who does what).

Faced with this situation senior management, as individuals, have developed a number of strategies for keeping all staff of the new city focused on the delivery of services. I have noted "as individuals" because there has been little in the way of corporate support to assist managers in addressing the need to improve and maintain staff morale.

One example is a four-step action plan developed by the Transportation Division as follows:

- Focus on client services and projects/activities that will enhance the delivery of these services. Give priority to these types of initiatives in contrast to the initiatives that focus on process;
- Be aware of the need for formal training/counseling to help employees cope with change. Demonstrate loyalty to those staff who have remained with the city;
- Create an open forum for discussing the new challenges and encourage staff to develop the new skills required to achieve their job objectives and attain job satisfaction; and
- Bridge the perceived gap in thinking/style between senior staff and the rest of staff when the mission statement says "the best municipal government in Canada" and the reality is "downsizing" and "saving dollars." Managers must develop strategies to cope with this credibility gap.

The pressure on managers is intense. Not only do they need to lead and manage staff in difficult circumstances, they also need to maintain a positive outlook for themselves even when they feel that they are drowning in the swirling white water. Senior-level managers are expected to maintain composure under duress. Indeed, poise in the face of crisis is a highly valued quality. A recent poll of 250 top corporate managers showed that 71 percent rated coolness under stress a key to successful leadership.

Here are some common-sense pointers about weathering even the stormiest pressure fronts:

- Focus attention on the business at hand rather than on potential consequences. Think about how best to provide services even with limited resources, not about whether it will succeed or fail;
- Strive for sensible objectives. Pace yourself, especially during high-demand periods;
- Acknowledge that mistakes are inevitable and educational. Rather than blame yourself or your staff, figure out what went wrong and move on to the next challenge;
- Take care of your health. A nutritious diet, regular exercise, proper sleep and a sound family life all contribute to making you fit to handle pressure;
- Keep a sense of proportion and perspective about your role at the office. Avoid investing too much emotion in any one situation. Remember that nobody can control everything. Ask yourself, "Should I worry myself to insomnia? Does failure mean exile to Siberia? Will the sun rise again tomorrow?"; and
- Learn to prioritize and be selective (do not "sweat the small stuff").

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