

Toronto Transit Commission Governance

Date:	January 31, 2012
To:	Executive Committee
From:	City Manager
Wards:	City-wide
Reference:	

SUMMARY

This report recommends a new governance structure for the Toronto Transit Commission that will transition the Commission to a hybrid, skills-based board of citizens and City Council members collectively representing a broader range of qualifications required to meet the significant management challenges facing the TTC in the foreseeable future. The primary change recommended is the inclusion of five citizen member positions on the board, recruited through an advertised process, and four City Council member positions, one of whom serves as Chair in recognition of the significant service delivery and financial impacts on the City related to the TTC. These recommended changes will take effect at the mid-term of this term of Council.

RECOMMENDATIONS

The City Manager recommends that:

1. Notwithstanding recommendation 12 in report EX4.7 adopted by Council at its meeting on April 12 and 13, 2011, City Council approve a new governance structure for the Toronto Transit Commission as follows:
 - (a) a 9-member board comprised of 5 citizen members and 4 Council members;
 - (b) a Council member appointed by Council as Chair upon the recommendation of the Striking Committee, and a citizen member appointed by the Toronto Transit Commission as Vice-Chair;
 - (c) a 4-year term of office for Toronto Transit Commission citizen members, generally coinciding with the term of Council, or until successors are appointed; except in the initial term of office for citizen members, where the term will be for the balance of this term of Council, or until successors are appointed;

- (d) maximum service for a citizen member on the Toronto Transit Commission of 2 consecutive 4-year terms to a limit of 8 years, or until successors are appointed; except for maximum service for initial citizen members of one and a half consecutive terms of Council to a limit of 6 years, or until successors are appointed;
 - (e) a 2-year term for Council members on the Toronto Transit Commission, or until successors are appointed, unless the Council members are re-appointed by Council upon recommendation of the Striking Committee; and
 - (f) all members of the Toronto Transit Commission serve at the pleasure of City Council.
2. City Council approve a rate of remuneration for citizen members of the Toronto Transit Commission of \$15,000 per year, and \$30,000 per year for the citizen Vice-Chair of the Toronto Transit Commission;
 3. City Council approve the effective date of the governance changes and citizen member appointments to coincide with the Council member appointments to the Toronto Transit Commission taking effect at the mid-term of this term of Council;
 4. City Council authorize the City Manager to commence recruitment of the 5 citizen members through an advertised recruitment process (Type 1 recruitment process as set out in the Public Appointments Policy); and the Civic Appointments Committee shortlist and interview candidates and then recommend the appointment of citizen members for approval by City Council;
 5. In addition to the general eligibility requirements of the Public Appointments Policy, City Council approve qualifications for the citizen board members who shall have directorship and executive-level experience and collectively represent a range of skills, knowledge and experience with one or more large organizations in the following areas:
 - Strategic business management, including transformative change management;
 - Financial management, accounting, law, engineering;
 - Customer service or marketing management;
 - Management or planning with a rail or public transit organization;
 - Formulation and/or management of public-private partnerships;
 - Capital project/construction management or capital procurement/supply chain management;
 - Operations and information technology; and
 - Labour relations/industrial safety management.
 6. The Toronto Transition Commission amend its Procedural By-law to be consistent with the governance changes recommended in this report and forward it to the City Manager for onward transmittal to City Council for approval in accordance with recommendation 2(a) (ii) in report EX4.6 adopted by City Council at its meeting on April 12 and 13, 2011; and

7. The City Manager amend the Public Appointments Policy and the Remuneration Policy to reflect the governance changes recommended in this report.

Implementation Points

The City Manager will conduct an advertised process to recruit qualified candidates for consideration of the Civic Appointments Committee. The Committee will recommend citizen appointments for consideration by City Council at the midpoint of this term of City Council. The Councillor members of the Transit Commission, including the Chair, will be recommended by the Striking Committee for consideration by City Council, also at the midpoint of this term of City Council. The term of the current City Council members expires on December 31, 2012 pursuant to City of Toronto By-law No. 5-2011 which appointed the current City Council members.

Financial Impact

There will be a marginal one-time cost to placing an advertisement, and if needed engaging a search consultant to broaden the pool of qualified citizen candidates. The remuneration of citizen board members will cost the Toronto Transit Commission \$90,000 annually.

Decision History

At its April 2011 meeting, City Council adopted with amendments reports EX4.6 *Managing Through Agencies and Corporations* and EX4.7 *Amendments to the Public Appointments Policy*. These reports made several amendments to the Public Appointments Policy and introduced some new concepts in the City's governance of its agencies. Approved recommendation 2(a) (i) of EX 4.6 requires that the Chairs of most City agencies, including the Toronto Transit Commission, have the Chair selected by City Council. Approved recommendation 2(a) (ii) of EX4.6 requires the by-laws of City agencies, such as procedural by-laws, to be approved by City Council.

A motion to amend EX4.7 approved by City Council (recommendation 12) required most boards, among other things, to be comprised of at least 11 members. City Council subsequently exempted a number of boards from recommendation 12 in EX4.7 during then citizen appointments process. This review of TTC governance updates the board structure and addresses the impact of recommendation 12 in EX4.7 on the TTC.

In response to EX4.6 and EX4.7, at its meeting on December 14, 2011, the Toronto Transit Commission considered and adopted a report on its future governance and asked that the City Manager consider it in his review of the Toronto Transit Commission governance structure. The TTC's report has been taken into account and several of the suggestions have been incorporated in the governance structure recommended by the City Manager. The report of the Toronto Transit Commission, entitled *Commission Governance* is attached as Attachment A.

COMMENTS

This report recommends a new governance structure for the Toronto Transit Commission that changes the board composition from one consisting only of City Council members to a hybrid model of City Council members and citizens possessing a qualified skill set appropriate to the activities and functions of the TTC. Greater involvement of qualified citizens on the boards of city agencies is a basic principle of good governance. City agencies are able to engage skilled, knowledgeable citizens with appropriate expertise to further the agency's mandate.

This report intends to accomplish several strategic objectives:

- It permits a restructuring of the board to bring needed skills to the board appropriate for the TTC to respond to ongoing organizational and financial challenges such as business management, program financing, customer service improvements, management of complex capital projects, and implementation of structural and operational changes to the TTC outlined in the TTC Service Efficiency Study completed in 2011;
- It addresses the impact of recommendation 12 of report EX4.7 (April 2011), which inadvertently altered the composition of the board of the Toronto Transit Commission; and
- It responds to and recommends many of the ideas outlined in the December 14, 2011 Toronto Transit Commission report.

The key components of the recommended changes to the Transit Commission board structure are:

- A 9-member board;
- 5 citizen members with board directorship experience and extensive senior career experience and education, in fields appropriate to the mandate and challenges facing the TTC;
- 4 Council members;
- A Council member as Chair, appointed by City Council, to ensure close linkages between TTC and Council priorities and strategies given the TTC's significant service delivery and financial impacts on the City;
- A citizen member as Vice-Chair, appointed by the Toronto Transit Commission; and
- Terms of office, maximum service periods, qualifications and related matters consistent with provisions of the Public Appointments Policy as amended.

City Council approved the appointment of the Chairs of most agencies, including the TTC, by City Council in recommendation 2(a) (i) of EX4.6 (April 2011).

This report recommends that Council appoint a Council member as Chair of the TTC. Other key tax-supported City agencies like the TTC have a Council member as Chair of the board, particularly where there are key interests in areas of service delivery/alignment

and capital funding, e.g., the Board of Health, Public Library Board and Exhibition Place Board of Governors which currently have Council member Chairs. The benefits of a Council member as Chair of the TTC include:

- first-hand knowledge of City issues and policy directions inherently understood through the role of Council member;
- ability to integrate Council and TTC service strategies and capital funding priorities particularly for a major tax-supported program;
- effective liaison and bridge between the TTC and Council;
- day-to-day informal communication with the Mayor, Councillors and senior City staff is facilitated;
- work-load is similar to a Council member as Chair of a Standing Committee of Council; and
- the Chair, as the face of the TTC to the public and the media, has an enhanced ability to speak with a voice that aligns both Council and TTC objectives and priorities.

Council could consider the option of appointing a citizen member as Chair of the TTC. A valid argument could also be made that, given the major service expansion planning, financing and implementation challenges facing the TTC, the TTC would benefit from having a citizen member as Chair who brings high-calibre expertise in key areas including:

- business management skills;
- financial management skills;
- experience with innovative financing options;
- experience with public-private partnerships;
- customer service expertise; and
- expertise in providing oversight to large rail or public transit organizations.

However, the recommendations in this report provide a balanced approach featuring a majority of citizen members on the TTC board to broaden the range of skills and expertise required, together with a Council member serving as Chair and a citizen member serving as Vice-Chair.

The process for selecting the 5 citizen members of the new board will occur as follows:

- The City Manager will place an advertisement to recruit citizen members and post the advertisement on the City's web site;
- A search consultant will be used as necessary to supplement the pool of qualified candidates;
- Applications will be submitted to the City Clerk;
- A City staff team with TTC staff representation will review the applications for qualifications and the applications will be forwarded by the City Clerk to Civic Appointments Committee for review;
- The Civic Appointments Committee will review and short list candidates for interview, conduct interviews, and recommend candidates to City Council for approval; and

- The Civic Appointments Committee will also recommend one alternate member should a member resign during the term.

The 4 City Council members on the Toronto Transit Commission, including the Chair, will be recommended to City Council by the Striking Committee.

It is recommended that the governance changes and the replacement of the current board members not be implemented until the mid-term of this term of Council when the Striking Committee modifies the Council member assignments to Standing Committees and agency boards, including the Toronto Transit Commission. In the meantime, the recruitment of citizen members can commence once Council has approved a new governance structure for the TTC. Recruitment of citizen members for agency boards takes several months, and results can be brought forward to City Council to coincide with member appointments recommended by the Striking Committee in the Fall.

The Toronto Transit Commission board has a significant responsibility. The TTC board guides the management of one of the largest, most visible, and important services delivered by the City. The quality of public transit service is a key factor in the positive public identity and quality of life in Toronto. By recruiting highly skilled, experienced citizens to the Toronto Transit Commission, its knowledge base is improved and better decisions made. The board meets at least monthly and many of the matters considered are difficult, controversial and subject to public scrutiny, media coverage and Council debate. As such it is appropriate to remunerate the citizen members given the high level of responsibility needed and the skill level from citizen appointees. The board remuneration of City agencies has been reviewed and it is recommended that citizen members on the Toronto Transit Commission be remunerated similar to the City's corporations given the decision making responsibility required. For a citizen member an annual retainer of \$15,000 is recommended, and for the citizen Vice-Chair an annual retainer of \$30,000 is recommended. This is in line with the remuneration of board members of other City corporations. The remuneration recommended is a fixed rate and does not pay citizen board members a fee for board or committee meetings.

The changes to board composition recommended by this report will assist the Toronto Transit Commission by creating a hybrid model skills-based board of 5 citizens and 4 City Council members. The qualifications for the citizen members require expertise and experience in several diverse knowledge areas relevant to operating a major and complex public transit system. By restructuring the board and adding further knowledge to its board decision making, the many challenges in building a public transit system that promotes high-quality services and a high quality of life in Toronto for years to come will be more easily met.

CONTACTS

Martin Herzog,
Acting Manager, Governance Structures and Corporate Performance
Toronto City Manager's Office
Ph: 416-392-5491 E-mail: mherzog@toronto.ca

Lance Alexander,
Senior Management and Corporate Management Consultant
Governance Structures and Corporate Performance
Toronto City Manager's Office
Ph: 416-397-4625 E-mail: lalexand@toronto.ca

SIGNATURE

Joseph P. Pennachetti,
City Manager

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: December 14, 2011

SUBJECT: COMMISSION GOVERNANCE

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission:

- (1) endorse the following principles:
 - a) the establishment of a job description for citizen appointments to the Commission (Board member) as set out in this report;
 - b) that the remuneration and term schedules for citizen appointments to the Commission be consistent with the remuneration and term schedule currently in use by the Toronto Hydro Corporation;
 - c) that the skill set and experience requirements for citizen Board members of the Toronto Transit Commission be consistent with the requirements as set out in this report; and
 - d) that the recruitment process be consistent with Type 1 process (Advertised Recruitment) as set out in the City of Toronto's Public Appointments Policy, with the option of using a search consultant to augment the applicant pool.
- (2) Forward this report to the City of Toronto, City Manager, for consideration relating to the public appointment of citizens to the Board of the Toronto Transit Commission.

BACKGROUND

At its meeting on May 11, 2011 the Commission endorsed the concept of private citizen appointments to the Commission in response to City Council's April 12/13, 2011 adoption of EX4.7: Amendments to Public Appointments Policy. In addition, City Council at the April 12/13, 2011 meeting in consideration of EX4.6: Managing

Through Agencies and Corporations adopted that the City Manager continue to review agency governance structures focusing on key opportunities for improvement, the implementation of accountability mechanisms and a review of human resources practices. This report examines in further detail the governance requirements of the TTC and sets out specific recommended criteria for citizen board member appointments that best fulfil those requirements.

DISCUSSION

The appointment of Commissioners to serve on the Board of the Toronto Transit Commission is established by City Council. The Commission has previously endorsed the concept of citizen representation on the Commission and this report provides further information relating to the general responsibilities, remuneration and skill set required relating to citizen appointments. Although the requirements relating to citizen appointments will be determined by City Council, this report provides a general framework for Commission-specific requirements for Council's consideration.

Job Description

The job description as set out below addresses the key elements of General Accountability, Duties and Responsibilities, Qualifications (including skills, knowledge and experience) and serves as an appropriate advertisement for interested private citizen candidates as well as a recruitment tool for identifying the most suitable candidates for appointment to the position of TTC Commissioner.

Commission/Board Responsibilities:

The Toronto Transit Commission is a City board and a body corporate. Subject to certain statutory exceptions, the *City of Toronto Act, 2006*, provides the TTC with the exclusive jurisdiction to establish, operate and maintain a local passenger transportation system within the City of Toronto.

The Board of the Toronto Transit Commission (*i.e.* Commission) is responsible for overseeing and supervising the management of the business and affairs of the Toronto Transit Commission, including the following specific activities:

- establishing and approving transit fare policies and transit fares;
- establishing and approving both operating and capital budgets;
- developing transit service levels and requirements;
- approving Corporate Policies relating to the operations of the TTC and its employees;
- regulating the use of the TTC local passenger transportation system;
- directing labour and employee relations matters;
- providing oversight in relation to the establishment, operation and maintenance of the TTC transit system; and

- establishing good governance and best practices to be followed in the operation of the TTC transit system;

Remuneration and Term of Citizen Appointments

For the purpose of determining appropriate remuneration and term for citizen appointments to the Toronto Transit Commission, comparisons were drawn from the current roster of City agencies and corporations in which citizens currently serve on the boards of directors. In consideration of such factors as agency profile, size, member expertise and qualifications the Toronto Transit Commission appears to most closely compare to Toronto Hydro Corporation (“THC”). The following is a summary of the current remuneration and term schedules of appointments currently in use for citizen members of THC and recommended herewith for future citizen appointments to the Toronto Transit Commission:

Citizen Member Remuneration				Citizen Chair Remuneration	
Annual Retainer	Meeting Fee	Committee Fee	Maximum	Annual Retainer	Meeting Fee
\$12,500	\$1,000	\$1,000	No \$ max	\$75,000	Nil

* Term of office: Two years with a renewal term of two years (without recruitment, with full recruitment every four years).

In accordance with the City of Toronto’s Remuneration Policy for City Agencies and Corporations, members of City Council who are appointed to the Toronto Transit Commission are not entitled to receive any remuneration beyond their regular salary as members of Council.

Skills and Experience

In addition to the general eligibility requirements set out in the City of Toronto Public Appointments Policy, it is preferred that citizen board members on the Toronto Transit Commission collectively represent a range of expertise including:

- legal education/training;
- financial management/accounting experience;
- corporate governance;
- customer service experience;
- engineering and/or large construction project experience;
- public transportation or rail service experience; and
- safety experience within an industrial environment.

It is also preferred that each citizen appointment have the designation of Chartered Director (C.Dir.) or certification from the Institute of Corporate Directors (ICD.D) and have previous experience as a member of a Board of Directors.

Recruitment Process

In order to ensure that the citizen appointments to the Commission provide expertise in the areas noted above, it is further recommended that the recruitment process be consistent with a Type 1 process (Advertising Recruitment) of the City of Toronto's Public Appointments Policy together with the use of a search consultant. Specifically, a search consultant should be engaged to provide the names of interested candidates that meet the established qualifications.

JUSTIFICATION

The endorsement of the recommendations as set out in this report help to establish criteria for public/citizen representation on the Commission and ensures that the citizen representatives have the appropriate skill level to meet the needs of the Toronto Transit Commission.

December 2, 2011