

Building the NEW City of Toronto

CAO'S MID-TERM REPORT TO
THE MAYOR AND MEMBERS OF COUNCIL



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JULY, 1999

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Chief Administrative Officer's Mid-Term Report

CONTEXT

This report marks the mid-point in the term of the first Council of the unified City of Toronto. This is also the middle of the appointed term of office for the City's first Chief Administrative Officer and many other senior executives. It is a time to reflect and to look ahead; it is a time to examine achievements and to re-establish goals in mid-course. Our experience is of heightened interest because so much about the new City of Toronto is unique, untested and exceptional in the history of municipal government.

Toronto's organizational size and complexity alone are unparalleled in Canadian municipal government experience and placed extraordinary demands on Council and the administration to get the ship moving and pointed in the right direction. The new City was launched into an increasingly deregulated world of internationally competing urban regions. These city-regions offer opportunities for investment and innovation, but they also experience all of the consequent social, economic and environmental issues. In this fiercely competitive global environment the new City did not have the luxury of time out to learn. We set sail on this remarkable journey on a ship we were designing and building during the voyage.

The creation of the new City of Toronto also came about in an environment of radical changes in the role of municipal government in Ontario. Constitutionally, we remain a "creature of the province". In practice, the provincial government has been rewriting the provincial-municipal relationship, the municipal finance structure and the rules for conducting municipal business. The federal and provincial governments are continuing the trend of reducing or abandoning their traditional involvement in many policy fields, including housing and urban transportation.

If we at the municipal level don't tackle these and other critical issues, it is increasingly evident that the senior orders of government will not do so either. The responsibility for governing this urban area increasingly falls

solely to municipal government. We cannot afford to take a complacent view of ourselves as mere administrators of specific mandated services. Council will continue to be challenged to lead in areas that once may not have been considered the interest or responsibility of municipal government. Politically, and administratively, we must be prepared to take on the challenges of being the primary stewards of this urban region. Yet we must do so in an era of constrained resources. This means seeking out creative and innovative solutions to managing the issues affecting the quality of life in this city.

This is the context for the Chief Administrative Officer's mid-term report to the Mayor and Members of the first Council of the new City of Toronto.

OVERVIEW OF 1998 - 1999

The hallmarks of the first part of this Council term have been enormous change and uncertainty. The most dramatic change was right here at home - the amalgamation.

Amalgamation:

The new City of Toronto began with the inaugural meeting of Council on January 2, 1998. The new City amalgamated six local municipalities and the metropolitan government and is now the fifth largest government in Canada, after the federal government and the provincial governments of Ontario, Quebec, British Columbia and Alberta. It is also the fifth largest municipal government in North America after, Mexico City, New York City, Los Angeles and Chicago.

The Ontario government's decision to amalgamate Toronto was made in December 1996 with regulations to effect the transition put in place in April 1997. The provincial government established a Toronto Transition Team to develop the essential operating tools for the new Council to use when it officially took office on January 2, 1998.

No models were available to guide an amalgamation of the scale that Toronto was about to undergo. The expectation was that the Toronto Transition Team would develop the structures, processes and systems to enable the new City to be operational from day one. This did not happen.

The Transition Team recommended a governing structure for Council, which allowed Council to function immediately. However, it provided no administrative systems or basic operating tools to smooth the transition to a single City. Thus, the new City began life as seven separate administrative structures. These were in flux because of all the organizational uncertainty immediately preceding the amalgamation. To complicate matters, none of the necessary information systems was in place or had been planned by the Transition Team. The result was that most of the preparatory work required to facilitate the amalgamation fell to the new City to undertake in the midst of the amalgamation process.

Downloading:

Coincidental with the timing of Toronto's amalgamation was the output from the provincial government's "Who Does What" exercise. The municipal sector in general and Toronto in particular had to take on new and significant financial responsibilities in a number of program areas. These included transit, housing, public health and ambulance services. The City was assigned new operating responsibilities in Ontario Works, the administration of provincial offences and in the regulation of childcare. It is difficult to overstate the magnitude and impact of these major changes in the provincial-municipal relationship.

As part of the realignment of financial responsibilities, the City was left with a substantial shortfall in provincial financing. The precise number keeps changing as a result of provincial adjustments. However, the continuing major effect is in the area of capital financing for transit.

Property Assessment Reform:

Amid the sea change of municipal restructuring and new municipal finance and service responsibilities, the provincial government overhauled the property tax assessment system in Ontario. While it prepared its first budget, the City was confronted with many difficult tax policy decisions. After many months of detailed work by a Council task force and the Finance department, Council was able to decide on the new tax policy and its implementation for the City. This was a singular achievement which had eluded the former municipal governments for years and a major early success.

Y2K Preparedness:

On top of all the other challenges, the new City came into existence just as the Y2K problem was becoming more immediate. Because of amalgamation activities, there had been little focus on this by the former municipalities in the period leading up to amalgamation. The City had to initiate action and commit resources to ensure that key systems would be fully operational and public services would continue uninterrupted on January 1, 2000.

CAO'S GOALS FOR 1998 - 1999

As Chief Administrative Officer, my role is to ensure that the City's administration is capable of providing Council with professional advice, implementing Council's decisions and directions effectively and delivering excellent services to the public in the most cost efficient way possible.

With the environment of radical municipal governance reform as a backdrop, eighteen months ago I set out to support Council by achieving the following goals:

1. Ensure seamless delivery of City services.
2. Develop and implement a plan to integrate the administrations of the seven former municipalities.
3. Manage the impact on the City of the province's Local Services Realignment, or downloading, initiatives.
4. Identify options to deliver City services with no budgetary increase.
5. Review the Toronto Transition Team's governance model and propose improvements.
6. Ensure that key City systems are Y2K compatible.
7. Lead the senior management team and develop a management framework that will move the City forward as a pre-eminent municipal government.
8. Ensure that the City has the necessary state of the art information systems on which it can build its databases and to assist in good business decisions.
9. Continue to play a lead role in inter-municipal discussions and in partnership with other levels of government and the private sector.
10. Continue to improve internal operational practices by clarifying accountability and encouraging teamwork within our major resource - our staff.

A summary of progress towards these goals follows.

ASSESSMENT OF OUTCOMES 1998 - 1999

(i) Ensuring Seamless Service Delivery:

One of the major public concerns expressed during the pre-amalgamation debate was that the merger would disrupt public service provision and would create confusion about where and how to access City services. Therefore, a key focus from the beginning of amalgamation was to ensure the continuation of municipal services without interruption and with no effect on the public.

For the most part this has been achieved. A Focus Ontario public opinion poll conducted by Environics Research during the spring of 1999 indicated overall public satisfaction with Toronto's municipal government and with municipal services.

Any problems that arose tended to result from varying service levels that the new City had inherited from the former municipalities. A prime example was dealing with the above average snowfalls in January 1999. This became a critical issue with the volume of snow that fell in such a short period. By having the new City in place, resources were re-deployed from former municipal contractors to deal with the problem of uneven snow removal capacity across the city. Although Toronto was hit by a once in century snowstorm, the City was not shut down. It was successfully kept open for business.

(ii) Integrating Seven Administrations:

This has been the largest initiative by far over the past year and a half. Although there were a number of inter-municipal service review teams that worked on amalgamation prior to the formation of the new City, the reality is that decisions on restructuring the organization could not be taken prior to January 1, 1998. In retrospect, the City would have been better served by hiring key staff to get on with the tasks at hand ahead of the actual amalgamation.

Amalgamation involves a number of inter-dependent and complex initiatives. These are described in detail in an accompanying report entitled "Building the New City of Toronto, Status Report on Amalgamation: January 1998 - June 1999". I will provide only a few highlights here.

Creating a New Organizational Structure

In early February 1998, Council approved my report on the City of Toronto Administrative Structure completing the first phase of the administrative reorganization by establishing the overall administrative structure for the new organization. The hiring of all new commissioners was completed by April 1998.

Phase two, which is now 95% complete, established the design of the main divisions and positions reporting directly to the Commissioners, and the next level organizational units and management levels within the divisions. Staffing divisional management was a time-consuming process that proceeded in a cascading manner over an eighteen-month period, allowing an equitable competitive process for job placement. Senior management spent weeks and months conducting interviews, in addition to their other ongoing responsibilities. This process is 90 percent complete and has resulted in a 60 percent reduction in executive level staff and a 34 percent overall reduction in management staff.

Phase three began in the summer of 1998 and focused on the integration and rationalization of municipal services previously provided by the seven former municipalities. This phase is the most challenging in terms of identifying opportunities which can reduce costs, meet 1999 and 2000 budget targets, and at the same time meet the expectations of the public for excellent and stable services to the whole community.

Harmonizing Human Resource Policies and Programs

In 1997, the former municipalities employed approximately 46,000 staff including the agencies, boards and commissions. Of that number, 24,000 worked in already amalgamated programs. The number of staff in amalgamating programs was 19,600. The drafting of a unified set of human resource policies, programs and procedures has required great care and sensitivity because of the implications to conditions of employment and potential financial impact on the City. The new City inherited dozen of collective agreements, which contain thousands of classifications. The process to negotiate new agreements that are acceptable to the union locals and make sense in the context of the unified City is underway. The successful completion of these negotiations and the harmonization of policies is an important part of the agenda for the remainder of 1999.

Our human resource activity is crucial to the safeguarding of the legacy of excellent public service brought to the new city by the seven former municipalities.

Consolidating Municipal Operations

The integration of the many day to day operations which provide essential “back office” functions supporting front-line service delivery affects thousands of activities. A few among these include:

Computer systems integration: the integration of key operating systems, which allow the City to operate as one organization instead of seven:

- preparations for the implementation of the financial management system began in July 1998 and the first phase went “live” this past June;
- a common network of servers has been established;
- mainframe computers, servers and software applications have been rationalized, reducing the number of servers by more than 50 percent over eighteen months, resulting in a more streamlined use of technology with lower leasing costs;
- a new Human Resource Information System is under development; and
- a new fire communication system has been approved by Council and is under development.

Space consolidation: Council has been integrated at City Hall. Key head office functions are in the process of being consolidated at City Hall. The new City has already relinquished office space equivalent to the space provided in the Scarborough Civic Centre. Yards are being declared surplus for even more savings.

Fleet: the City’s total fleet of vehicles has been reduced and is under further review for downsizing.

(iii) Managing the Impact of Downloaded responsibilities:

As a result of provincial decisions to realign delivery and financing responsibility for a number of services, the City had to take on:

- new regulatory responsibilities and higher administrative costs for child care;
- administration of the redesigned Family Benefits Assistance Program as part of Ontario Works;
- full costs for social housing within the integrated new Toronto Housing Company Inc.;
- full costs of the capital works program for transit;
- negotiations on increased Provincial Offences Act responsibilities; and
- meeting new mandatory guidelines for public health.

Accommodation of most of these downloaded responsibilities has been handled expeditiously. Some issues, especially around financing and the Provincial Offences Act, remain to be worked out, but staff have been aggressive in putting the City's position forward at a range of provincial/municipal meetings.

(iv) Delivering Services with no Budgetary Increase:

Achieving the zero budget increase in each of two budget cycles has been a major challenge. Provincial downloading, especially affecting the City's capital budget, and the one-time costs associated with amalgamation, represent additional extraordinary pressures impacting on the budget process. There was also considerable pent up demand as a result of several years of cost cutting and deferred spending by the seven former municipalities.

The budget process in both 1998 and 1999 directed departments to meet their amalgamation savings target and, at the same time, bring forward proposals to save costs by fundamentally rethinking the way they carry out their activities. Departments brought forward a combination of operating adjustments and service reductions, which were reviewed by Finance staff and the CAO in sequence. No new programs, unless provincially mandated, or increases to service levels were entertained. Capital budgets were prioritized on the basis of safety and security of the City's assets and a "just-in-time" approach to other capital projects.

The package of savings and service adjustments was reviewed extensively with the senior management team and the proposal put forward to Budget Committee for their consideration. The budget proposal made tough recommendations in anticipation of the ending of the province's temporary financial assistance in 2000. Council's ability to deliver a zero percent tax increase in 2000 depended on making tough decisions on service levels as well as maximizing savings in 1998 and 1999.

During the 1999 budget process, the province announced some sustaining relief for the municipal sector by way of fifty percent provincial funding for public health and ambulance services. This had the effect of offsetting our "deficit financing" for 1999 and allowing some latitude for the Budget Committee to harmonize services and fees. The challenge will continue as the 1999 decisions on service level harmonization increase expenditures by \$9.5 million when implemented fully over four years.

Savings from amalgamation couldn't have come at a better time. The accumulated savings offset the additional \$120 million costs generated by provincial downloading of transit and social service costs. Without these savings, property taxes might have increased. The final 1999 budget adopted by Council was a major accomplishment for the new City, achieved through a difficult process of administrative and political decision-making.

(v) Reviewing the Transition Team's Governance Model for the City:

The Toronto Transition Team developed an interim governance structure, which Council decided to use for the first half of this term. In January 1998, Council established a special committee to examine a number of unresolved issues flowing from the Toronto Transition Team Final Report. The issues of governance and community engagement were of particular importance. Key concerns included the need to maintain a governance structure which had the capacity to involve the community in decision-making and to ensure that the processes supporting the council's legislative process were accessible and understandable to the public. The CAO's office supported that review, which culminated in council's decision to restructure its committee system. The new structure was put in place in June 1999 and is the beginning of a work in progress which must be adjusted over time to meet the unique needs of this new, complex and large city.

The governance review also resulted in a greater clarification of the role and responsibilities of community councils. Follow-up work to the review of community councils continues on decision-making protocols for dealing with community council versus citywide matters and on possibilities for further delegation of decision-making powers to the community councils.

My office put considerable effort into reviewing the structure and powers of Toronto Hydro. New provincial legislation made the City the clear owner of Hydro assets and the sole shareholder of a new entrepreneurial agency. Initially, work focused on the governing structure and the new Board. Subsequent work defined the shareholder directive and transfer bylaws. In each of these areas, the City is breaking new ground and is ahead of the industry in setting the new directions for Toronto Hydro and providing for a continuous revenue flow to the City.

The process to reform other agencies, boards and commissions including the Toronto District Heating Corporation, has begun and will continue through 1999.

(vi) Ensuring that City Systems are Y2K Compatible:

Ensuring that essential City systems and computers are ready for January 1, 2000 has been a priority. These systems encompass services to the public, such as water treatment and pollution control, traffic control and licence and permit issuance, as well as internal services to the corporation, such as payroll and building maintenance. It is fair to say that in the lead up to amalgamation the advance work done by the former municipalities was minimal. In part, this was a result of the financial hiatus which provided little incentive to propose major new capital projects in former municipalities prior to amalgamation.

A steering committee with private sector representation was established to guide the process. A special staff project team has a capital budget of \$150 million and the CAO has special authority to implement priority systems changes required to keep the City running at the turn of the year.

To date, most system changes are on target. Staff are concentrating on the remaining systems to ensure uninterrupted service on January 1st, 2000.

(vii) Providing Management Leadership:

The goal of senior staff is to establish an exceptional administration, which has as its priority the delivery of high quality, people oriented services at the most cost efficient price possible. That process has begun. The first step was establishing the values and aspirations that could be shared by the staff collectively. The second step was the development of a corporate management framework to guide subsequent activity. The framework consists of:

- A Council Strategic Plan, which lays out Council's vision for the City and direction to its staff regarding the initiatives it intends to take. The first strategic planning process is underway with Council approval of the plan expected in the fall of 1999.

- Multi-Year Program Plans, which lay out in a clear and accountable manner the capital and operating plans and resources required to deliver on Council's vision, as well as options that Council may wish to consider.

- An Annual Budget Process, which establishes real expenditure and revenue levels by taking into account the realities of that particular year and determining priorities from among all competing programs.

- A Performance Management System, which translates program objectives into individual performance and a system for monitoring an individual's progress.

Council adopted the corporate management framework in May 1998.

(viii) Information Systems to Support Decision-Making:

Toronto has many key information systems on which it depends. Next to the integration of staff, a top priority has been ensuring that the City has integrated information systems, which provide the right information at the right time to the users who need it. Systems which provide accurate information on productivity and customer service; function by function, location by location, will increasingly be the essential tools of modern municipal management and service. Setting the stage so that the public can gain access to services over the internet or at kiosks in community centres and libraries is essential. Geographic Information Systems linked with Computer Aided Dispatch systems is only the beginning of how the city can bring the wealth of its data bases into everyday use.

In retrospect, it has been useful that Y2K needs and amalgamation were coincident. Departments and Information Technology staff have jointly been looking at all systems and identifying opportunities to plan for the future at the same time as they rationalize.

(ix) Providing Leadership in Intergovernmental Affairs:

January 1999 saw the launch of the Greater Toronto Services Board. The City has played an active role in the early going of the GTSB through political involvement and staff support. The CAO continues to work with peer chief administrators through the Greater Toronto Coordinating Committee and other working groups of senior municipal and provincial staff.

During the past eighteen months there has been close liaison with the province at both the political and staff levels. We have aggressively pursued the City's interests and issues in these meetings with considerable success. We have also played a constructive role within AMO. These efforts have born fruit. The province agreed to place a cap on CVA induced property tax increases, restored provincial funding to ambulance and public health services and is working to respond to the Mayor's Task Force on Homelessness.

The City has been developing its linkages with the federal government both directly and through its involvement in FCM, where it has taken a lead on several issues, most notably affordable housing. The administration has provided support to the Mayor and Council's participation in a number of international organizations and forums through which we are able to exchange best practice experiences and build social and economic development networks. Judging from the study tours and delegations we have spoken to, Toronto is considered to be on the cutting edge of big city governance and is being observed keenly around the world. Closer to home, the esteem in which Toronto is held is illustrated by the numerous invitations to the CAO and other senior staff to describe our progress to various associations and professional groups.

(x) Improving Internal Operational practices:

A priority for the CAO and the senior management teams has been to foster commitment at all staff levels to consistently seek ways to improve our service to the public and our support to Council. In part this has been achieved

through the initiatives already described. It is also dependent on building a team approach across a changing organization. This requires excellent communications. Much effort has gone into developing a variety of media to facilitate a two-way flow of information between senior management and the rest of the organization. These include the intranet site, corporate newsletters, town-hall style meetings, site visits by the CAO and commissioners, staff appreciation events, to name a few. Building a corporate culture takes time. Issues of staff morale during this time of major change are inevitable and unavoidable.

THE CHALLENGES FOR 1999 - 2000

My goals for the first half of this term of Council and continuing into the second half of the term can be sorted under three main headings:

- supporting Council's major initiatives and priorities;
- completing the integration of 7 municipal administrations; and
- building the new city.

We can be very proud that, despite the enormous changes, despite the urgent need to build the new organization, despite the lack of a transition plan to guide us on day one, Council and staff got on with day to day business on behalf of the people of Toronto. Council set numerous major service and policy directions in the past eighteen months, including but in no way limited to:

- developing taxation policies to facilitate the smooth implementation of the new province-wide property assessment system;
- dismantling the eastern portion of the Gardiner expressway;
- initiating the search for a waste disposal solution;
- construction of a fixed link to the City Centre Airport;
- reforming the taxicab industry;
- the acquisition of Union Station;
- competing for the 2008 summer Olympic Games; and
- responding to the Mayor's Task Force on Homelessness.

Nevertheless, looking back over the accomplishments of the past eighteen months - and Council should be in no doubt that there have been many - it is clear that the Council agenda has also been driven by amalgamation and budgetary priorities. These have dominated the day to day workplans

of all management staff. Council and staff have had to fulfill the role of a transition team. This has meant that the same staff have been engaged in transition planning while at the same time delivering services and developing policy. Your staff have been charged with the responsibility of planning and designing for radical organizational change, which all concerned knew was aimed at a smaller overall workforce. Simultaneously, these same staff have had to maintain the morale, commitment and professionalism of oftentimes insecure front line staff and service managers to provide excellent public services.

Shifting Gears for 1999 – 2000:

As we move into the second half of the term, the major elements of our organization are in place or in progress. It is now time to shift into higher gear. This means placing more emphasis on city-building. An overarching goal in the next eighteen months will be to firmly establish the plans and strategies that will give Council a framework of corporate priorities and directions to guide the day to day business of Council.

Council's Strategic Plan and Official Plan will be critical parts of this framework as will related sector specific plans such as the economic development, social development and environmental strategies. Other key planning documents that will be considered by Council in the second half term include a capital investment and affordability strategy to help guide the City's investments in infrastructure development and renewal. A strategy to ensure prudent management of reserve funds will also be brought forward.

The City will need to focus considerable attention on its relations with the provincial and federal governments as we proceed to define our requirements for the tools we need to manage this city effectively. Our relationships with all of our community partners—labour, business, voluntary sector - must be nurtured as it becomes more and more crucial that all our energies, imagination and good will be brought to the table to resolve the tough issues that face us. Our relationships with our municipal partners in the Greater Toronto Area, and across Canada in the large urban centres, must be able to bring collective action to bear on our common issues: homelessness, the environment, child poverty, aging infrastructure, among others. Our international relationships must pursue not only our economic agenda but must be geared to making a contribution to and learning from the best practices prevalent in municipal management. The

cultural life and neighbourhood life of this city must be maintained. The quality of this city's appearance, our green space, our urban design, our collective safety must be a priority for both Council and staff. As we move towards the year 2000, we must safeguard the corporate health and stability of the organization while also fulfilling the potential we have to play a key leadership role at home and abroad.

A Corporate Agenda for 1999 – 2000:

The corporate agenda for the remainder of this Council term will continue to reflect the demands of implementing the amalgamation. However, there will be greater balance among Council's priorities, amalgamation priorities and building the new city. The work of a number of Task Forces established by Council early in this term have laid the ground work for program priorities.

Strengthening the fiscal capacity of the Corporation without impacting negatively on property taxes requires the development of an infrastructure plan, a plan for new funding sources for transit, a comprehensive tax policy tool kit, and a thorough policy framework for alternative service delivery and sponsorship activities. It also means ensuring that effective management information is in place to encourage informed continuous improvement practices. Completing the integration of downloaded provincial programs in a fiscally prudent fashion will continue to be a key activity.

Strengthening our social infrastructure and ensuring that the most vulnerable members of our community are protected will require continued action. Significant attention must be paid to see results on the City's homelessness initiatives, implementing council-approved safe city initiatives, children and youth initiatives, and moving forward with the recommendations of the Seniors Task Force and the Access and Equity Task Force.

Strengthening our urban form and our quality of life will require the development of what promises to be an innovative official plan, a special focus on our waterfront, and development of a transportation strategy that meets our environmental and economic objectives within the context of the GTA.

Strengthening our economy includes a city tourism plan, re-investment strategies, business development and retention strategies.

Strengthening the environmental commitments of the city will include continued focus on green energy initiatives through Toronto Hydro and TDHC, consideration of the recommendations of the Task Force on the Environment, developing a new waste management strategy, and building sustainability principles into our corporate and legislative decision-making structures.

Strengthening our connection to our communities includes building community capacity to participate, delivering a quality millennium celebration, enhancing our people-centred service delivery, and developing easily accessible service locations.

Strengthening our support infrastructure requires completion of a range of amalgamation initiatives begun in the first half of this term including the rationalization of facilities, fleet, agencies, boards and commissions, and completion of administrative and management processes to support council and staff decision-making.

Strengthening our staff resources means dealing with key human resource strategies such as staff retention, succession planning, staff development and compensation plans as well as new labour agreements.

This is a most ambitious agenda requiring a solid partnership between Council and its staff. We must work on building a trusting and respectful relationship which will facilitate our ability to meet the expectations of the people we jointly serve.

CONCLUSIONS

By any measure, progress has been remarkable. The core services of the City continue without interruption. Polls indicate continued citizen satisfaction with the way the new City is operating. Many services have been harmonized or will be over time. For many residents, this will result in an enhancement of municipal service. Amalgamation savings are on target; a new administrative structure has been built from the ground up.

This success has depended on stability and continuity among service level staff. We can take nothing for granted. Organizational change, while presenting tremendous opportunities, also takes a toll. Staff have watched their colleagues of many years leave the corporation. Some have seen familiar practices and systems replaced by new and unfamiliar ways of carrying out business. They have been patient, trusting and, above all, dedicated to public service. My challenge and Council's challenge is to bring the stability necessary to keep our employees committed, to ensure that staff feel their contribution is sufficiently valued for the city to be regarded as the employer of first choice - always.

Implementation of many of these changes flow into 1999-2000 as we continue to confront the realities of fiscal constraint. With Council's support, management will continue to create service integration savings and seek out opportunities to make municipal services more cost efficient and effective. Building a new, compelling vision of Toronto and aligning the organization to achieve this vision - these are our challenges.

As CAO, it is my singular privilege and source of enormous pride to lead your public servants during this challenging and dynamic period of city building.

