March 4, 2011

Ms. Ulli Watkiss
City Clerk
City of Toronto
12th Floor, West Tower
Toronto City Hall
Toronto, ON M5H 2N2

Dear Ms. Watkiss:

The following is a response to the Administrative Inquiry from Councillor Janet Davis dated February 17, 2011 entitled "City Manager’s Use of Consultants."

1. a) & b) The 2011 CMO Operating Budget does not include consulting funds and has not in the 2006 to 2010 annual budgets. Costs associated with recruitment of corporation board members are recovered from the corporations. Consultants costs for service reviews are funded from the 2011 non-program (corporate accounts) budget.

2. a) The functions of the search firms will remain the same as in the past as outlined in 2b) below.

b) Search firms are required from time to time to assist in recruitment for corporation boards of directors.

In the 2006-2010 term, search firms were engaged to recruit the boards for the following:

<table>
<thead>
<tr>
<th>Year</th>
<th>Boards</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>TEDCO, Enwave</td>
<td>$15,110</td>
</tr>
<tr>
<td>2008</td>
<td>TCHC, Hydro</td>
<td>$29,800</td>
</tr>
<tr>
<td>2009</td>
<td>Invest, Build</td>
<td>$29,800</td>
</tr>
</tbody>
</table>

The Search firms engaged provided advice on recruitment methods, e.g. media advertising, their own database to find qualified applicants (2006 only), an on-line application tool (2008 and 2009 only), received, organized, and tabulated data for applications, assessed applicant qualifications against required qualifications, and surveyed incumbents (2008 only). Search firms can provide targeted assistance when outreach recruitment is required to identify candidates who reflect the range of qualifications required on corporation boards in addition to the breadth of diversity sought.
c) One staff member who was key in supporting the recruitment of public members for agencies retired at the end of 2010. However, the work undertaken by this staff would never be undertaken by an external firm.

3. a) The REOI provides a menu of professional services required for assignments from time to time. The intent of the roster is to pre-qualify a wide range of professional services for a variety of assignments. This process expedites the procurement process by pre-qualifying consultants. A report will be before Executive Committee on March 21st identifying the "service reviews" that the City will be undertaking in the next 6 to 8 months and longer. External expertise required will be submitted to an expedited competitive process among the pre-qualified roster.

b) Organizational, governance and service reviews are most often undertaken in-house, particularly where a continuing source of experience and expertise is required. The use of internal staff is generally more cost-effective. However, when there is a need for specific expertise, experience, or third party objectivity and external perspective external consultants are authorized as required. Workload and time sensitivity are also variables in determining the use of external services.

4. External services are used for recruitment of Accountability Officers, various organizational reviews, forensic audits, economic competitiveness strategy, joint studies with other governments, e.g. OECD Metropolitan review, Gas Tax review, and specialized legal advice. Funds for these types of activities are drawn from a corporate non-program account. All external consulting services are reported annually to Council by all City Divisions.

Yours truly,

Joseph P. Pennachetti
City Manager