

TSTG Organizational Review

Phase 2 Discussion

February 12, 2021

Project Overview

TSTG's Organizational Design Options were assessed based on:

- **Phase I Session held on June 24, 2020** – with TCDSB / TDSB Trustee and Senior Management Representatives on the Governance and Operations Committees, and TSTG General Manager to discuss the following topics:

- ☐ TSTG's context, and current organizational model
- ☐ Design options to explore
- ☐ Assessment Criteria to guide the analysis of identified options

■ **Research on best practices:**

- ☐ Selected Consortia
- ☐ Ministry sponsored studies
- ☐ Expert Reports

■ **Internal and External Reports**

- ☐ TSTG Membership and Service Level Agreements
- ☐ TSTG/SB Organizational Charts.
- ☐ Ombudsman, E&E, Office of the Auditor General of Ontario

Agenda

The focus of this session will be on:

- **Ranking of Options Assessment Criteria**
- **Key Observations and Recommendations**
- **High Level Assessment of Recommendations**
- **Implementation/Transitional Plan**
- **Next Steps and Report Requirements**

Options Evaluation Criteria

Options Evaluation Criteria

Evaluation Criteria (Guiding Values)	Description	Rating (pts)
Cooperative Governance	- Ensures equal partnership among School Board « owners » - Recognizes the sphere of control of the SB « owners » - Fosters the principles of cooperation to achieve common purpose	37
Independance	- Enables TSTG flexibility, responsiveness and impartiality - Avoids perception of conflict of interest	37
Value Creation	Provides opportunity for TSTG to augment organizational competencies, efficiencies and performance	28
Equitable Treatment	Ensures fair and equitable treatment of school boards, students, parents and other stakeholders	27
Accountability	Provides clarity in accountability and delegation of authority within TSTG and between TSTG and the SB « owners »	23
Transparency	Ensures independant oversight of TSTG operations by relevant stakeholders	21

TSTG Organizational Review Discussion

Key Observations and Recommendations

Key Observations and Recommendations

Current State – Key Observations	Implications – Value Considerations
Organizational Capabilities - TSTG is generally reactive. Its focus is on maintaining operations rather than on understanding on how performance may be improved. Strategic plan concentrates on responding to audits rather than on creating value for students. - TSTG is dealing with staff skills and resources deficits. Organizational goals such as managing HR issues, communications, technological and service innovations remain unachievable. - Most transportation consortia have moved on from these discussions to focus on improving efficiencies, investing in innovation, and to better managing risk. - TSTG funding issues affect both boards and cannot currently meet transportation needs. Projected deficits for 2019-20 total \$8,4 M (TCDSB – \$5,2M) (TDSB – \$3,2M). There is no clear accountability for sustainable performance.	- Organizational capabilities emerge when the collective skills, abilities and expertise of individuals are brought together to accomplish work. - Performance accountability becomes an organizational capability when employees clearly understand what matters. - To foster performance and cooperation, the roles and responsibilities should be sharply focused on what matters most - Competent employees have the proper skills, while committed employees deploy those skills regularly and predictably
Organizational Climate - TSTG school board assigned staff have different employment conditions (including pay schedules) and reporting structures which create confusion and impact on employee morale. - There are divided loyalties between School Board employer and the TSTG. Most employees feel they are part of School Board parent organizations rather than part of TSTG. The Ombudsman Report attributed the lack of coordination and responsiveness to issues to the dysfunctional work environment and organizational structure.	- A work environment that staff enjoys spending time in, contributes significantly toward improving their performance each and every day. - An organizational culture has a direct consequence on organizational performance. The context in which employees finds themselves, of what they stand for, and as the voice of the organization, the employees are key to ensuring that it succeeds
Recommendations	
- That TSTG be incorporated as a legal entity as an enabling means to become an employer. - That the TSTG is empowered to direct and control over the work environment for its staff, including establishing reporting structures, employment conditions, and HR policies independent of school boards. - That TSTG undertake an assessment of human resource skill sets, and position profiles required to match its current and future needs.	

Key Observations and Recommendations

Current State – Key Observations		Implications – Value Considerations	
Organizational Structure - TSTG goal to reduce duplication and associated costs remains an unrealized goal. The duplication of work within the existing dual school board centric organizational structures makes it difficult to reallocate work. The Auditor General and Ombudsman reports reinforce these points. - TSTG is missing on some if not all of the three success factors – structure, resources and tools. Most consortia have moved on and are more consolidated. - TSTG's divided organizational structure impedes information from flowing rapidly and clearly from the TSTG Governance Committee to management, and to staff. Lack of coordination within the current organizational structure and the degree of siloing is surprising.		- Organizational structure defining the reporting relationship profoundly affects employee behaviour. - Cooperation involves employee collaboration and coordination to increase the effectiveness of a group in pursuit of shared goals. - A leader to exercise leadership must have the appropriate authority and influence to secure cooperation among employees. - When decision rights and motivators are established, accountability can take hold.	
Governance Leadership and Structure - A lack of trust between the founding school boards is at the root of the current organizational design issues. It manifests itself in the TSTG's divided organizational structure – setting the improper tone for the organization – and influencing staff behaviour - TSTG governance structure is dysfunctional in dealing with dispute resolution. - Governance committee members may not have the knowledge and skills sets to understand the increasingly complex transportation environment and operations. - There is an absence of governance policies to provide clarity around the roles, responsibilities and accountabilities of those responsible for TSTG's Governance and Management - at all levels of the organization. - Transparency in transportation cost allocation formula is an issue.		“Coopetitive inter-organizational relationships” (between organizations that view themselves as competitors) are created to pool support activity resources to increase efficiencies. Trust is perceived through the dimensions of cost efficiency, transparency of information, and accountable governance. - The level of trust in leaders, and between staff is indispensable for smooth operation and long-term existence of inter-organizational relationships - Governance structures address a board's commitment to its “owners”, its process for making decisions and how it will assure organizational performance. - Independent board members can contribute significantly to the decision making of a board. They can bring an objective view to the evaluation of the performance of the board and management.	
		Recommendations	
		- That TSTG review and consolidate its organizational structure independent of school board - That TSTG governance board composition include independent directors with transportation sector knowledge - That TSTG adopt governance policies to delineate governance and management roles and accountabilities	

High Level Assessment of Recommendations

Recommendation I : TSTG as a Single Legal Entity

Recommendation	That TSTG be incorporate as a legal entity (corporation without share capital) under the Ontario <i>Corporations Act (OCA)</i>.
Related Org. Design Factors	Organizational Structure, Capabilities, Climate and Culture, and Governance Leadership
Key Benefits - relative to the current situation	- TSTG is capable of hiring employees, to negotiate collective agreements and to bind contracts - Allows TSTG to optimize organizational structure, governance and accountability, reducing current organizational structure complexity and confusion by providing TSTG with the authority and control over the management of operations, staff performance and reporting structure. - Allows TSTG to set employment conditions and to define a distinctive organizational culture and climate
Key Dependencies	- By-laws defining governance structure and school board member (owner) rights - Corporate Membership Agreement setting out school board « owners' » understanding of the partnership arrangement.
Key Evaluation Criteria	
Cooperative Governance	By-laws and Corporate Membership Agreement clearly define the relationship with School Board (SB) « owners », as well as SB « owner » rights and foster the principles of cooperation to achieve common purpose.
Independence	Separate legal entity with control over organizational structure and staff enables TSTG's flexibility, responsiveness and impartiality.
Value Creation	Separate legal entity provides opportunity for TSTG to augment organizational competencies, efficiencies and performance with control and authority over its organizational structure and staff performance
Equitable Treatment	Separate impartial TSTG entity fosters fair and equitable treatment of school boards, students, parents and other stakeholders
Accountability	By-laws and governance structure provide clarity in accountability and delegation of authority within TSTG and between TSTG and the SB « owners »
Transparency	By-laws and governance structure and policies ensures independent oversight of TSTG operations by relevant stakeholders.

Recommendation I : TSTG as a Separate Legal Entity

Organizational Considerations

Single Legal Entity (SLE)

Governance

- Board of Directors have a higher degree of accountability to school board “owners”
- By-laws requires SLE board to report to school board “owners” on organizational performance, including financial performance
- External audits make SLE more accountable on financial matters and operational efficiencies

General Management

- General Manager a higher degree of accountability to Board of directors for organizational results
- General Manager more accountable for service delivery to students and for compliance to school board service levels policies (ie: Annual Report)
- More flexibility in adapting to changes, to introducing innovation (ie. technology) in dealing with a Board of Directors

Organizational Capabilities - Operations

- More autonomy and control over operations and resources - less operational and administrative duplication - policies, procedures and processes aligned with transportation operational environment rather than school board's - more opportunity to access expertise and to deal with inefficiencies.
- Easier to achieve equity with student transportation service delivery without school board influence

Organizational Climate and Structure

- Control over staffing – hiring, job descriptions, staff performance, clarity in reporting and accountabilities - HR policies and employment condition aligned with student transportation consortium's mission and operational environment rather than school board's

Non-Single Legal Entity

- Consortium Governance Committees often regarded a school board operational committee - no formal requirement to report to school board
- Transportation decisions are brought often brought back to the school board delaying consortium governance committee decision making, which in turn impacts operational responsiveness.

- General Manager often regarded as a school board department manager; often required to attend school board meetings
- School boards are “ingrained” into consortium operations as transportation decisions are brought often brought back to them.
- School boards are less nimble to making change management decisions.

- Invoices and contracts often require additional school board authorization and signatures
- Consortium must often comply with differing school board administrative policies and processes - boards must comply to their process, which also introduces their own biases in the decisions

- Difficulty in managing human resources - HR practices, hiring matrices, union, salary scales, health breaks, holidays differ for transportation staff assigned or seconded by multiple school boards – creates tension and affects employee morale

School Board Defined

Recommendation I : TSTG as a Separate Legal Entity

TSTG Articles of Incorporation

- TSTG's legal framework and purpose (*Ontario Corporations Act*).

TSTG By-laws

- Sets out how the TSTG will be governed by the school board « owners » (i.e.) election of board, board size, quorum, attendance, officers, meetings, indemnities, membership, member voting rights.

School Board Corporate Membership Agreement

- Sets out school board « owners' » understanding of the inter-organizational arrangement (i.e.) TSTG scope of services (ex: to manage student transportation for SBs, to follow SB specific service levels policies), responsibility of the school boards, cost sharing formula(e), dispute resolution, indemnification.

School Board Service Level Policies

- Sets out school board specific student transportation policies to which TSTG must adhere (i.e.) distance and program based policies

TSTG Board Policies

- Governance policies defining TSTG Board's job, TSTG outcomes and operational expectations, GM authority and accountability

TSTG Operational Policies

- Management policies operationalizing governance policies (i.e.) operational rules/procédures

TSTG Defined

Recommendation I : TSTG as a Separate Legal Entity

High Level Organizational Considerations	
Best Practice	• Incorporating the TSTG is a leading practice recommended by the Ministry of Education and highlighted in the Auditor General of Ontario's. • 18 (56%) the transportation consortia are incorporated, of which 14 (78%) received a high E&E rating (compared to 2 unincorporated).
Moving Forward	• The School Board (of Trustees) would have to approve the incorporation as shareholders of the legal entity. • The legal status provides the enabling vehicle for TSTG to hire and manage employees, and to establish employment and working conditions that create a TSTG brand and purposeful culture aligned with its mission. • The independent legal structure helps ensure that TSTG's mandate remains consistent despite changes in board members, school board "owners" and trustees.
High Level Implementation Considerations	
Financial	• Legal cost for incorporating entity, drafting by-laws, and corporate membership agreement.
Operational	• Review operational processes and systems carried out by school boards on behalf of TSTG, service agreements signed on behalf of TSTG.
Legal	• School Boards to adopt recommendation to proceed with TSTG incorporating as a legal separate entity. • Legal counsel to assist incorporation of single legal entity without share capital under the Ontario Corporations Act, and to develop By-Laws and Corporate Membership Agreement • School Board « owners » to adopt corporate By-Laws • Corporate Membership Agreement may set out that service levels require consent from affected shareholders (TCDSB/TDSB board of trustees) – TSTG acts as a service provider.
Governance	• Development of governance framework of policies would follow the incorporation of the separate legal entity • Governance Policies reflect School Board « owner » values
Timeline (est)	• Less than 6 months
Responsibility	• TSTG Governance Committee

Recommendations 2-3: TSTG as an Employer

Recommendations	• That the TSTG is empowered to direct and control over the work environment for its staff, including establishing reporting structures, employment conditions, and HR policies independent of school boards. • That TSTG undertake an assessment of human resource skill sets, and position profiles required to match its current and future needs.
Related Org. Design Factors	• Organizational Structure, Capabilities, Climate and Culture, and Governance Leadership
Key Benefits - relative to the current situation	• Allows TSTG to set employment conditions and to define a distinctive organizational culture and climate • Provides TSTG with unambiguous authority over HR management, including control over performance levers and enablers (i.e.) hiring and talent management practices, employment conditions, workplace policies and environment. assessment of the skill sets and position profiles to match its current and future needs.
Key Dependencies	• TSTG is a legal entity capable of hiring employees, negotiate collective agreements and establish HR policies. • Transfer of SB employees currently assigned to TSTG – can initially be seconded until a collective agreement is negotiated. • Harmonization of current SB collective agreements
Key Evaluation Criteria	
Cooperative Governance	• TSTG Board governance policies set out General Manager's authority and accountability for HR relationship and performance management, and for operational expectations in relation to SB « owners' » values.
Independence	• A separate legal entity employer with control over structure, HR management, employment conditions, and workplace enables TSTG's flexibility, responsiveness and impartiality.
Value Creation	• Provides opportunity for TSTG to augment organizational competencies, efficiencies and performance with control and authority over organizational structure, selection of employees, HR policies and performance management
Equitable Treatment	• Separate impartial entity and policies foster fair and equitable treatment of school boards, students, parents and other stakeholders
Accountability	• TSTG Board governance policies and HR policies provide clarity in accountability and delegation of authority to TSTG GM and staff
Transparency	• As separate entity and employer, TSTG reporting and information structures are clearer and more transparent.

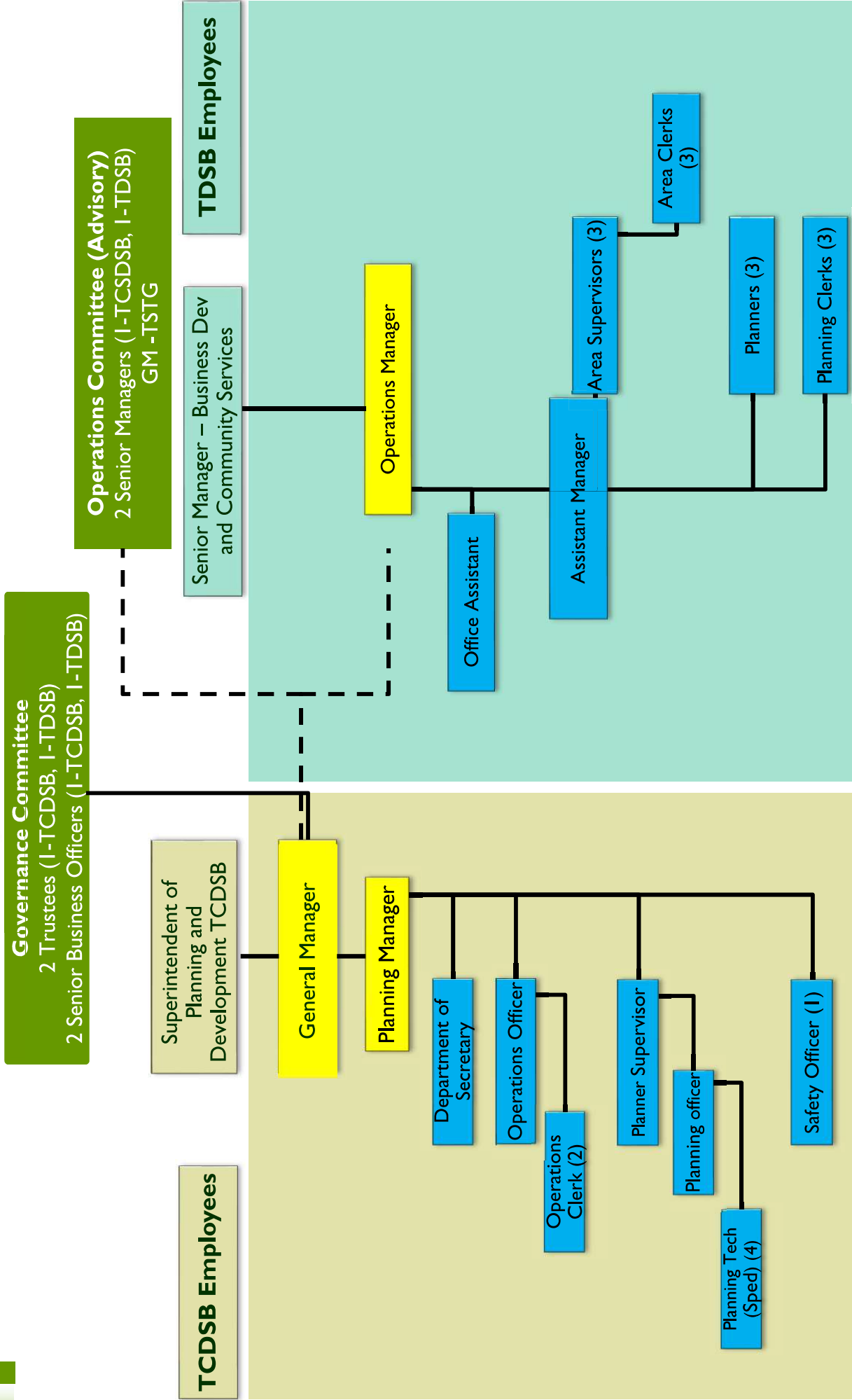
Recommendations 2-3: TSTG as an Employer

High Level Organizational Considerations	
Best Practice	• Employer-Employee relationships are less complicated and the preferred approach rather than a secondment arrangement with a “host” organization that defines duration and terms of employment. An employer maintains direction and control over employee terms and conditions of employment. • Consortia hire their own staff but can purchase HR recruiting services from school boards. HR support and payroll services may be outsourced to a school board or other service provider. Benefits are available through a provincial employee health trust.
Moving Forward	• As an employer, the TSTG would have better control over its organizational capabilities – collective skills, abilities, and expertise to accomplish the work – all outcomes from managing in hiring and managing staff. • As an employer, the TSTG would have control over the levers that define its cultural values that guide employee behaviour and the desired focus and commitment required to deliver on TSTG’s mission and strategy - hiring and talent management practices, employment conditions, workplace environment. • As employer, TSTG would have control over its capacity to create a more cohesive, co-operative, and co-ordinated workplace culture - organizational performance accountability improves strongly when the level of cooperation is raised among individual staff members, and where TSTG goals are aligned with individual goals
High Level Implementation Considerations	
Financial	• Cost to assist on HR transitional matters from school boards to TSTG
Operational	• Transfer TSTG assigned employees from school boards to TSTG legal entity (new employer) - secondment arrangements between SB and TSTG until collective agreements have been finalized. • Review skill set requirements, position profiles, reporting and accountability structures, employment conditions • HR support and payroll services may be outsourced to school board(s) or other service provider(s).
Legal	• Legal counsel to assist in various HR transitional matters
Governance	• Governance policies to define delegation of authority to management, accountability for strategic outcomes and operational expectations
Timeline (est)	• Approximately (2) years - time to ascertain union certification, complete contract negotiations with unions.
Responsibility	• TSTG Board and General Manager, with school board support.

Recommendation 4: TSTG's Organizational Structure

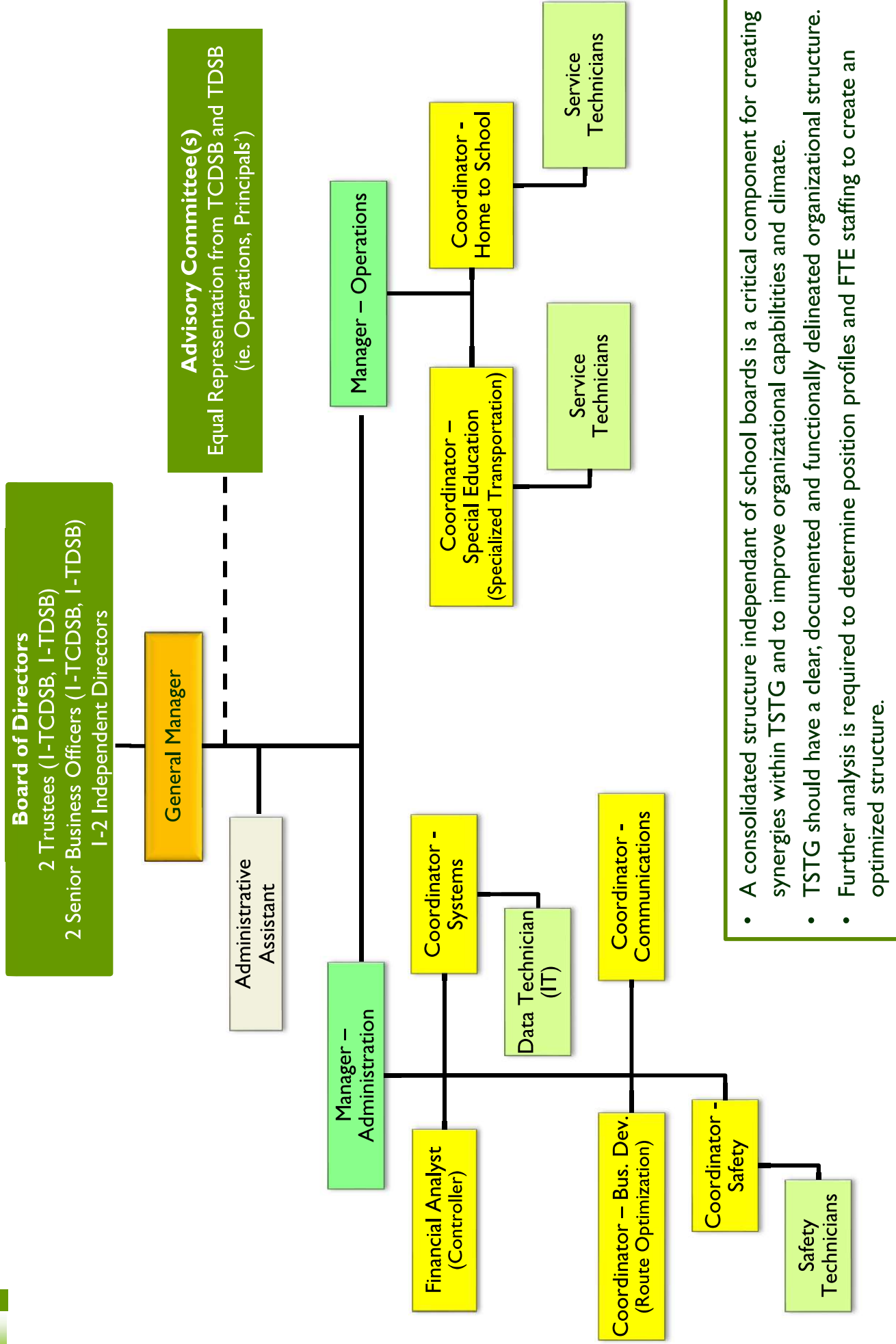
Description	That TSTG review and consolidate reviews its organizational structure independent of school boards.
Related Org. Design Factors	Organizational Capabilities, Climate and Culture and Governance Structure
Key Benefits - relative to the current situation	Allows TSTG to define a single reporting relationship that affects its employee behaviour and drives TSTG performance
	Allows TSTG to improve efficiency and capabilities by addressing confusion and duplications in the current organizational structure: (i.e.) roles, accountabilities, cooperation among staff.
Key Dependencies	TSTG is allowed to operate as a independent entity.
Key Evaluation Criteria	
Cooperative Governance	TSTG Board governance policies set out General Manager's authority and accountability for HR relationship and performance management, and for operational expectations in relation to SB « owners' » values
Independence	A separate legal entity employer with control over structure, HR management, employment conditions, and workplace enables TSTG's flexibility, responsiveness and impartiality.
Value Creation	Provides opportunity for TSTG to augment organizational competencies, efficiencies and performance with control and authority over organizational structure, selection of employees, HR policies and performance management
Equitable Treatment	Separate impartial entity and policies foster fair and equitable treatment of school boards, students, parents and other stakeholders
Accountability	TSTG Board governance policies and HR policies provide clarity in accountability and delegation of authority to TSTG GM and staff
Transparency	As separate entity and employer, TSTG reporting and information structures provide clarity and transparency to TSTG Board, and to its SB « owners' ».

TSTG Organizational Structure - Current



- TSTG’s divided organizational structure impedes information flow from the TSTG governance to management, and to staff.
- The dual reporting structures to TSTG and to school boards create confusion, and divided loyalties which impact on employee morale.

TSTG Organizational Structure - Proposed



- A consolidated structure independent of school boards is a critical component for creating synergies within TSTG and to improve organizational capabilities and climate.
- TSTG should have a clear, documented and functionally delineated organizational structure.
- Further analysis is required to determine position profiles and FTE staffing to create an optimized structure.

Recommendation 4: TSTG's Organizational Structure

High Level Organizational Considerations	
Best Practice	- Organizational structures defining the reporting relationship affects employee behaviour. It promotes effective communication and coordination which will enable operations to run more effectively. - The Transportation Consortium organizational structure is independent or delineated from the school boards it serves.
Moving Forward	- Eliminating the TSTG's current dual organizational structure would gain efficiencies of operation through the pooling of resources, and through the sharing of ideas and talents across boundaries. - A centralized TSTG structure will encourage cooperation and cohesive teamwork, and allow the GM to exercise leadership - A an optimize organizational structure, will reduce employee confusion as to who is the employer, align decision making, and strengthening loyalty to TSTG with clearer and more effective mechanisms for planning, information sharing and for resolving issues. - Organizational performance improves strongly when the level of cooperation is raised among individual staff members.
High Level Implementation Considerations	
Financial	- Operational efficiency gains from eliminating position duplications in the current dual organizational structure. - TSTG may require the assistance of an organizational consultant to propose the optimized structure
Operational	- Transfer TSTG assigned employees from school boards to TSTG legal entity (new employer) – transitional structure - Note: most employees accept to transfer to consortia after the transitional - secondment period - Review roles, reporting and accountability structures to determine long-term organizational structure and HR requirements
Legal	TSTG must be a legal entity to become an employer.
Governance	Governance policies to define delegation of authority to management and accountability for strategic outcomes and operational expectations
Timeline (est)	- Approximately 3 months - Phase 1 – transition structure - to execute employee secondment arrangements - Less than 3 years – to review L/T Organizational Structure
Responsibility	TSTG Board and General Manager

Recommendations 5-6: TSTG's Governance Structure

Recommendations	- That TSTG governance board composition includes independent directors with transportation sector knowledge - That TSTG adopt governance policies to delineate governance and management roles and accountabilities
Related Org. Design Factors	Governance Leadership
Key Benefits - relative to the current situation	- Allows TSTG Board to improve board and management accountability to SB "owners". - Allow TSTG to benefit from independent directors with transportation sector expertise for strategy setting and risk oversight and in exercising objective independent judgements.
Key Dependencies	By-law defining governance structure and school board member « Owner » rights
Key Evaluation Criteria	
Cooperative Governance	- By-laws and Corporate Membership Agreement clearly define the relationship with School Board (SB) « owners », SB « owner » rights and the principles of cooperation to achieve common purpose. - TSTG governance policies define its commitment and accountability to SB "owners, TSTG Board's job, TSTG outcomes and operational expectations, GM authority and accountability.
Independence	A board make-up including independent directors reinforces board impartiality and objectivity.
Value Creation	Independent director with transportation sector knowledge provides opportunity to improve assessment of organizational competencies, efficiencies and performance
Equitable Treatment	Separate legal entity and governance policies, board make-up including independent directors, foster fair and equitable treatment of school boards, students, parents and other stakeholders
Accountability	TSTG Board governance policies provide clarity in accountability and delegation of authority within TSTG and between TSTG and the SB « owners
Transparency	Separate legal entity, by-laws and governance policies, and board make-up including independent directors ensure independent oversight of TSTG operations by relevant stakeholders

Board Composition Scenarios

Scenario		Implications – Value Considerations
General Comment - Board Chair - As to whether the Chair is required to cast a vote at board meetings, a Chair's role is to try and achieve board member consensus on an issue. Boards stuck at a 50/50 vote on an issue, would probably want to discuss the matter more thoroughly and get consensus on the decision rather than pass something through because it won by one vote - Where the Chair has a casting vote on a tie, they may or may not be compelled to cast it. A Chair must act in good faith in casting a tiebreaking vote.		
Scenario 1a: Appoint One Independent Director as Board Member - Jointly appointed by school board "owners" - The independent member is not eligible to assume role of Chair, where school board "owners" prefer to continue practice of having the chairperson position rotate among school board appointed representatives.	Board size: 5 (Status quo +1) - The independent director contributes expertise and independent judgment to the board - Board decisions would normally be made by an even number of four board members. - School board representative chairperson may be compelled to vote in conformity with other school board representatives if board at 50/50 vote.	
Scenario 1b: Appoint One Independent Director as Board Chair Jointly appointed by school board "owners"	Board size: 5 (Status quo +1) - Same as 1a, except: - The independent director would likely add neutrality and impartiality to the Chairperson role, if board at 50/50 vote.	
Scenario 2a Appoint two Independent Directors as Board Members - Jointly or independently appointed by school board "owners" - The independent member is not eligible to assume role of Chair, where school board "owners" prefer to continue practice of having the chairperson position rotate among school board appointed representatives.	Board size: 6 (Status quo +2) - TSTG benefits from additional expertise and independent judgment on the board - Board decisions would normally be made by an odd number of five board members. - School board representative chairperson may be compelled to vote in conformity with other school board representatives to defeat a motion.	
Scenario 2b: Appoint two Independent Directors, among which one as Chair Jointly appointed by school board "owners"	Board size: 6 (Status quo +2) - Same as 2a, except: - The independent director would likely add neutrality and impartiality to the Chairperson role.	

Recommendation 5-6: TSTG's Governance Structure

High Level Organizational Considerations	
	- Expert independent board members can contribute significantly to the decision making of a board. They can also bring an objective view to the evaluation of the performance of the board and management. - Odd number of directors and presence of independent directors are more likely to improve voting efficiency and in decisions based on organizational performance as opposed to the “conformity preference”, especially among smaller constituency representative boards. However, the “conformity preference” becomes less important for even number boards that include independent directors. - Governance framework of policies address four things in an organization’s relationship with “owners” and with management: - Governance Process – defines Board’s mandate, its commitment to its “owners”, its process for making decisions. - Board-Management Delegations – defines Board’s delegation of authority to, and oversight over management - Strategic Direction - defines Board’s expectations about outcomes - Operational Direction – defines Board’s operational expectations within limits of prudence (risk) and ethics within which operational (management) decisions can be made.
Best Practice	
	- The TSTG board size could range between five and six members, with the addition of one or two independent board members knowledgeable in the transportation field. The school boards could individually appoint or jointly appoint independent directors. School board owners could consider jointly appointing an independent board member as Board Chair. - Develop a skills and competence matrix to define the independent director profile. - Development of governance framework of policies would follow the incorporation of the separate legal entity
Moving Forward	
High Level Implementation Considerations	
Financial	- An honorarium may be necessary to attract independent directors - Cost to develop governance policies
Legal	- By-laws to define board size, composition and director appointment process involving school board « owners » - In relation to independent directors, if desirable by school board « owners », by-laws would reflect director appointment process and also the appointment of the Board Chair.
Governance	Process to develop governance framework and policies
Timeline (est)	Less than 2 years - time to incorporate legal entity and develop governance policies
Responsibility	TSTG Board following school board approval to establish TSTG as a legal entity



Legend:

R = Responsible (Lead); S = Support; A = Approve; I = Informed
SB = TCDSB and TDSB School Boards

Next Steps

- **Complete the Case for Change**
 - Project Champions – trustees, senior management within the TCDSB and TDSB
 - SB Senior Management approval for project
 - SB Trustee approval for project
 - Final Report Requirements