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GOOD GOVERNMENT BAD GOVERNMENT

Across the street from each other sit the offices of one of the country's best run cities and one of its worst run counties. How long can both of them stay that way?

BY ALAN EHRENHALT

These are heady days at City Hall in Phoenix. Ever since the fall of 1993, when Phoenix won the international Bertelsmann competition, certifying it as one of the two best-governed cities in the whole world, reporters have been checking into town on assignment from newspapers all over the country, asking the city manager for his secrets of success. Staff members have grown accustomed to looking up from their desks to find delegations of Japanese mayors besieging them with questions. Highway signs welcome visitors to "America's best-run city."

Local government in Phoenix is no longer merely an object of civic pride. It has become a tourist attraction.

In December, Phoenix held a seminar on state-of-the-art management and charged 800 visitors from all over the world $450 a ticket. Those who came heard all the stories of innovation for which the city has become famous: the privatization initiative under which city agencies compete for contracts with private providers; the labor relations deal in which unions tie their pay increases to city revenue growth; the solid-waste processing facility that doubles as an environmental education center. The audience seemed to love it.

Just across Jefferson Street from City Hall, however, is a government that the visitors did not see. It is the government of Maricopa County, population 2,292,200, the seventh-largest county in America, comprising most of the people in Arizona and more people than 17 entire states. If Phoenix represents the best in local government, Maricopa comes very close to being the worst. It is the embarrassing family member that nobody in town wants to talk about—the big, clumsy oaf that never learned to do anything right. For years, its management has been as chaotic, hidebound and wasteful as the management of the city is orderly, innovative and efficient.

In the summer of 1993, while the city was demonstrating its managerial virtuosity to the visiting Bertelsmann judges, the county across the street was busy spending itself to the brink of bankruptcy. Nobody knows just how close it was to being broke that summer—the financial management system was so primitive that the budget shortfall was impossible to calculate precisely. There were no comparisons of budget against year-to-date spending; the quarterly financials normally didn't arrive on managers' desks until four months after the quarter ended.

The supervisors had approved a budget of $1.2 billion for that fiscal year, but as happens every year, the individual county agencies felt free to overspend it. During the flush times of the 1980s, this had not caused any disasters. In the 1990s, however, the combination of recession, exploding health care costs and reckless spending had taken its toll. Maricopa County was badly short of cash by mid-1993; that July, it issued $25 billion in general obligation bonds in an offering whose purchasers had no idea just what a sinking ship they were investing in.

James Endicott illustration

Meanwhile, the county was losing millions in badly needed revenue through management inefficiency. The assessor's office was 125,000 properties behind in its appraisal process, giving some homeowners a property tax vacation of up to two years while they waited for the appraisal to be made. There were estimates that the county had lost as much as $100 million over many years as a result of the backlog.

The irony was hard to miss. The city of Phoenix had developed a financial management system that was being studied and imitated by governments all around the world. The only government that didn't seem to know about it was the one a hundred yards away.

In truth, though, the city and county have never had a great deal to say to each other. "There was always a sense that they were a poor country cousin," says Terry Goddard, who was mayor of Phoenix from 1983 to 1990. "If you worked in the city, you didn't want to cross the street."

City Hall wasn't the only institution in town that frequently preferred not to know what was going on at the county courthouse. "The business community has never cared much about the county," says Walter Meek, a longtime political reporter and consultant. "The papers have looked at it sporadically, but it comes and goes. It's very hard to get a handle on what goes on down there."

But now, more and more people are starting to ask the obvious question: How did the same community manage to produce a government this good and another one this bad? "Phoenix is praised internationally as a successful, well-run city," columnist Paul Schott wrote in the *Arizona Republic* a few months ago, "and Maricopa County is looked upon as a rotten pit, and is essentially bankrupt to boot. Why?"

It is a very good question, and it offers a lesson in government that applies far beyond the borders of Phoenix. What you learn very quickly is that the innovations of Phoenix, and the frustrations of Maricopa County, are more than anything else a product of structure. Phoenix is structured to succeed. Maricopa County is structured to fail.

The question of how to structure local government is one that scholars and practitioners have been debating for most of the century. It has been 80 years now since Richard Childs shook up the entire field by launching his crusade for non-political city managers and broad-brush legislative bodies that stayed away from administrative detail. There continue to be passionate advocates of the view that cities and counties work better when they are run by professional managers, and equally passionate advocates who insist that what local governments need today are strong, tough politicians with a mandate from the voters to get things done.

On one point, though, there has never been much difference of opinion: *Somebody* has to be in charge, and whoever he or she is must have the authority to hold the agencies of government accountable for their performance. In Maricopa County, no one is in charge. It is a riderless horse. "I don't care who the players are," says former Supervisor Jim Bruner. "As long as you have the structure you have, it's re-arranging the deck chairs on the *Titanic*."

'There was always a sense that they were a poor country cousin.'

—Former Phoenix Mayor Terry Goddard

Five years ago, at Bruner's invitation, Roy Pederson moved in as administrator of Maricopa County from a similar job in nearby Scottsdale, where he had earned a national reputation among his peers. Pederson soon discovered something he now realizes he should have seen earlier: He was not taking over a government. He was joining a collection of fiefdoms.

Like all the other counties in Arizona, Maricopa has endured the 83 years since statehood with a government consisting of five supervisors, who rotate the chairmanship among them each year, and seven separate elected officials: the assessor, recorder, sheriff, county attorney, county treasurer, clerk of courts and superintendent of schools.

This is a system that was designed for tiny rural counties in the first decade of the century, and it still works reasonably well in some of them. But it has fallen apart amid the pressures of running a $2 billion governmental enterprise, as Maricopa County has come to be. Although there has been a "county administrator" since 1961, the administrator has no authority over the elected officials, who control half the county budget and half the staff, and who routinely insist that they have a mandate to spend money as they see fit.

Separately elected county officials are not unique to Arizona by any means. The majority of counties in the United States still elect a sheriff and a prosecutor, and many elect several others as well. In most of these counties, however, the legislative body or chief executive has managed to establish some informal mechanism of control over what these elected officials do. The problem in Maricopa County is not the fact that it elects some of its department heads; it is that nobody has ever succeeded in convincing them they were part of a team.

The Maricopa County sheriff, Joe Arpaio, sued the county in state court last year, challenging its legal right to restrict his budget and declaring that he planned to overspend his allotment by some $6 million. The way Arpaio sees it, the county's deficit is not his concern. "That's their problem," he says. "They did it. I don't report to the Board of Supervisors. I serve the people only." And the way Maricopa County government is struc-

Reed Rahn photograph

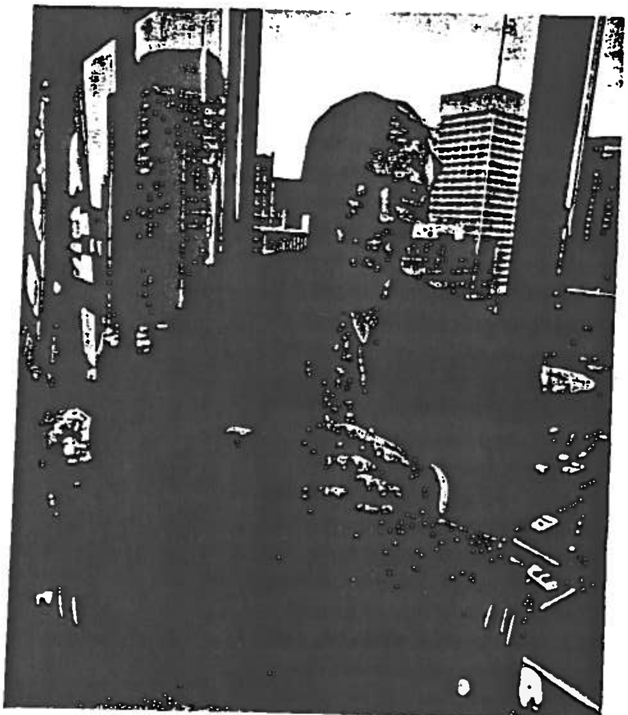
tured, you have to admit he has a point. Maricopa County officials have every incentive to act for themselves, or their departments, and virtually no incentive, professional or political, to act for the larger good.

In the 1980s, when the agencies finally computerized, years behind most other county governments in America of comparable size, just about every agency bought a different system. Between 1988 and 1993, as the recession took hold in Arizona and an official county hiring freeze was in effect, the agencies hired so freely that the number of county employees grew 45 percent, from 8,700 to 12,600. At a time when the county's deepening revenue problems were well known and when the city of Phoenix was invoking an austerity program in order to stay solvent, the county was essentially doing what it had done in the prosperous years of the previous decade.

Barbra Cooper joined the government of Maricopa County in 1992, an American Express vice president recruited to modernize the information system. Like nearly all newcomers, she was astonished at what she saw. "There wasn't any consciousness of people working with a restricted amount of funds. There was no consequence of being several million dollars over your budget. If you ran over budget, it was just taken care of. There was no single bottom line. There were individual pots of money." When one office ran out of cash, the county financial officer simply shifted money out of another account to make up the difference. "It looked like we had a financial system," says Roy Pederson. "In reality, I don't think we did."

The fact is, it wouldn't have done much good for the city of Phoenix, at that stage, to offer the county a course in state-of-the-art financial management. The county didn't want one. It had in place exactly the system it preferred—which is to say, scarcely any at all.

"We became a feeding trough for localities, individuals, programs," says Tom Rawles, who became a supervisor in 1992 and is now chairman. "There was always enough money for whatever you wanted to do. Each manager had his supervisor who was his guardian angel. But when things went bad, no one was willing to say, 'We can't do this anymore.' "



'We became a feeding trough for localities, individuals, programs.'

—Maricopa County Chairman Tom Rawles

Maricopa County's structural problem—the centrifugal forces that send all the different governmental components flying in different directions—has been obvious to virtually every county administrator who has served there in the past 20 years. But nobody has been able to solve it. The reason is not simply inertia. It is a second structural flaw that lies beneath the first one. The county is a constitutionally powerless creature of the state of Arizona.

Like all the other Arizona counties, Maricopa exists by grace of the 1912 state constitution. Any power that cannot be found or plausibly inferred from that document, county officials cannot exercise without legislative approval. "You can't just do what makes sense," says supervisor Betsy Bayless. "We can't make a move without asking the legislature for permission. I had to testify before the legislature to get authority over barking dogs in unincorporated areas."

Maricopa County officials make a valid point: The county is stuck with the worst possible roster of governmental responsibilities.

If Maricopa County does not have home rule when it comes to barking dogs, it goes without saying that any set of reforms that might actually end its structural paralysis—creating a county manager with real power, or electing a county executive, or abolishing the seven elected fiefdoms—cannot be accomplished by the county on its own, no matter how much support there might be. The state has to go along.

And that presents a whole new set of problems. A bill to give Arizona counties the right to restructure their governments was introduced in the state Senate in 1971 by Sandra Day O'Connor, then one of the county's senators. The bill languished in committee for 20 years, bitterly opposed by the most powerful figures in county government in most of the state: the sheriffs and county attorneys. They did not want to risk local reform movements that might, if successful, eliminate their jobs. It was simpler not to let the issue come up at all.

When Maricopa County officials venture to explain how their government reached such a stage of crisis, they nearly always point first to the restrictions imposed by the state. Then they make another equally valid point: The county is stuck with the worst possible roster of governmental responsibilities.

In this it is not alone. While the city/county division of labor varies considerably from one part of the nation to another, and has changed some in recent years, it is fair to say that counties continue to perform most of the services that ordinary citizens do not use, rarely think about and are not eager to support.

Altogether, criminal justice and health care comprise nearly three-quarters of Maricopa County's general fund spending. Costs at the county Medical Center nearly tripled between 1984 and 1993. Half the patients who walk into the emergency room are uninsured. They are a crushing expense, but not one that the

Reed Rahn photograph

county taxpayers have shown any willingness to increase taxes to pay for.

"Most people," says Supervisor Bayless, "don't commit murders. They don't use the public hospital. They don't see the flood control system. They care about garbage pickup, streets, police—city functions. After the person is arrested, they don't care so much how he is treated—but that's the county's responsibility."

And that is the way life appears these days from the Maricopa County office building, whether one is a career manager or an elected official. The county, crippled by an impossibly fragmented political structure, hamstrung by restrictions from the state, saddled with the costliest and least popular jobs in government, loses control of its budget and becomes a laughingstock. Meanwhile, the city, faced with none of these problems, wins awards and covers itself with glory.

'Financial controls make all sorts of things possible.'

—Phoenix Mayor Skip Rimsza

It is difficult to argue, however, that the city's laurels are undeserved. Phoenix does a great many things extremely well. Its successes represent what may be the greatest modern triumph of city manager government in America.

During the past few years, the city manager system in various parts of the country has been under increasing attack from critics who say it does not generate the political leadership necessary to solve the divisive problems of the 1990s. Cities with long histories of city manager government, such as Rochester, New York, and St. Petersburg, Florida, have abandoned it in favor of "strong mayor" government, with an elected mayor replacing the manager as chief administrative official. Even Dallas, long regarded as the flagship city of the movement, has debated making such a change.

Phoenix stands as the best argument against those efforts. Over the past decade, it has been innovative and efficient, fiscally sound and politically orderly, and it has managed substantial change without a great deal of obvious disruption either inside the government or outside it. The mayor and city council debate the issues, set policy goals and listen to constituent opinion. But the manager and his staff hire and fire, handle the money and essentially run the city. Last year, as a result of a resignation and special elections, there were four different mayors in City Hall. But city government scarcely seemed to be affected at all.

Any one of several areas of accomplishment might serve to illustrate the way Phoenix does things, but one simple one may be the most important: the management of statistics.

On the first day of every month, or soon after, the city manager distributes a thick package of tables, graphs and charts tracing virtually every dollar, number and percentage in city government that can be quantified, and what happened to it during the preceding 30 days. It is possible, reading the city manager's report for November of 1994, to learn that the percentage of city ambulance calls answered in less than 10 minutes was 91; that the total number of nights spent in city homeless shelters was 27,994; that 28,654 rounds of golf were played on city courses during the month, at an average cost of $10.96 per participant; that 3,479 miles of city streets were swept, nearly twice as many as in November of the previous year.

A sophisticated financial system means the government of Phoenix knows nearly everything about what it is doing, and it knows it very quickly.

In short, the government of Phoenix knows nearly everything about what it is doing, and it knows it very quickly. But the most important thing it knows is how it is spending its money. "Financial controls, financial controls, financial controls," says the current mayor, Skip Rimsza. "They make all sorts of things possible." Rimsza thinks the city's financial management gives it a better deal in negotiation with private contractors, who are willing to bid higher because they trust city numbers. He thinks the system helps Phoenix invest in new technology, because it encourages bond houses to lend the money to buy it.

Rimsza is engaging in some not-very-subtle civic boasting. But less biased observers think he may be right. "The city has spent much of the last 20 years implementing a very sophisticated budget system," says Louis Weschler, a public administration scholar at Arizona State who has studied it. "Very few big cities have anything like that. The president of the United States would like to have something that sophisticated."

All in all, the government of Phoenix in the 1990s is just the sort of government Richard Childs might have envisioned eight decades down the road when he began promoting the city manager system in the years before World War I. But the way Phoenix got there would probably surprise Childs a great deal—and offers some lessons to any city looking to modernize the way it does business.

Phoenix actually has had city manager government since 1914, the virtual dawn of the system in America. For the first 35 years, however, it was undistinguished government, wasteful and frequently corrupt. During World War II, the city had to be declared off-limits to military per-

Reed Rahn photographs

sonnel stationed nearby, because prostitution was rampant and venereal disease was raging out of control. The manager in those days was a puppet of the city council, powerless to prevent payoffs to city workers or the larding of patronage employees onto city payrolls for political reasons. Only in 1950, with the passage of a city charter giving the manager full administrative control, did the system begin to approach the nonpartisan quality of the Childs blueprint.

Even then, government in Phoenix for the next 30 years was respectable, conservative, generally unimaginative government—not the sort that wins international awards for innovation. The era of special accomplishment really began in 1980, with the arrival as city manager of Marvin Andrews, and took off at the end of the decade under Frank Fairbanks, who succeeded Andrews in 1990.

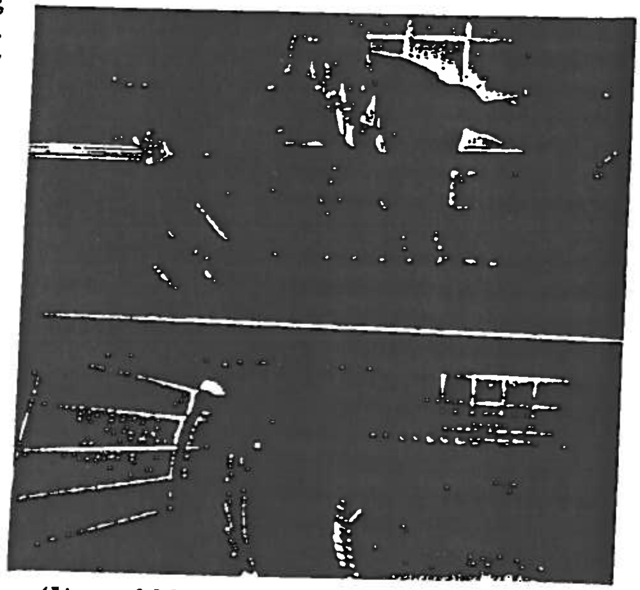
Andrews and Fairbanks, two soft-spoken, self-effacing bureaucrats with a distaste for press coverage, turned out to be a pair of determined and successful experimentalists. They also happened to break the normal city management pattern in an interesting way. Neither was a hot-shot from outside brought in to shake up the system; both were homegrown Phoenix civil servants, career employees who had spent years working heir way up through the system. Andrews went to work for the city n 1958; Fairbanks started in 1972 nswering complaints from citiens on the telephone.

Nearly everybody thinks that ne secret of Phoenix's aptitude or change has been its continuity f leadership, and that the source f that continuity has been the ty's willingness to stick with its vn people as top managers—mething most cities have been luctant to do. Fairbanks thinks too. "A piece of this is tradion," he says. "We are more usted here, and we are trusted to more."

As the 1980s began, however, it s far from obvious that Phoenix uld become the global success y it has turned out to be. The manager government had developed a reputation, as it had in many other cities, for being autocratic, insular and frequently contemptuous of the elected officials who were supposed to be its board of directors. The city council members complained that the manager's office felt like a foreign country to them; the manager, John Wentz, referred to the council as "temporary help." The council members had no input at all into top hiring decisions.

'The best thing that will come out of this is an identity.'

—Associate County Administrator Manager Barbra Cooper



'It would have been a lot more difficult without the city manager system.'

—Former City Manager Marvin Andrews

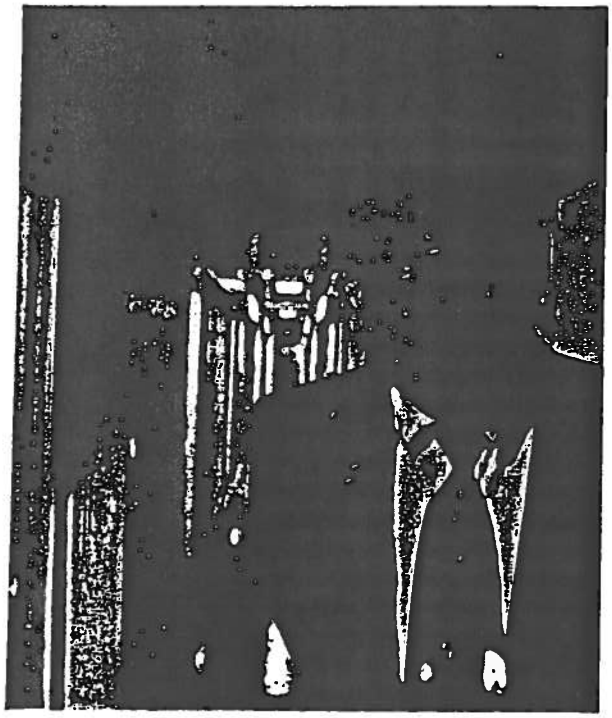
In 1983, Terry Goddard took over as mayor on a platform that included replacing city manager government with a "strong mayor" system. "I had reservations about nearly everything they were doing," Goddard says.

It was at that point that Andrews launched the barrage of reform and innovation that not only killed Goddard's plan but set in motion all the subsequent successes. Under Andrews, the manager's office generated mission statements, productivity committees, pay for performance. He raised the reward for employees who came up with new ideas from $150 to $2,000. He transferred senior officials out of what had been a virtual "secretariat" of centralized power and into line departments such as Public Works, Finance and Human Services.

Equally important, he set about the political cultivation of the council members who had been on the verge of wanting to junk the system. In doing that, he broke one of the cardinal rules of orthodox city management: the separation of political and management jobs. He sent one of his senior assistants into the mayor's office as a liaison. For the past decade, there has been an assistant or deputy city manager of Phoenix working full-time for the mayor, often as chief of staff. The original theorists of city management, and some of the current ones, would consider this a form of treason. Nevertheless, it did the job. By the late 1980s, none of the elected officials were talking about junking the system any more. Goddard had decided that city manager government wasn't so bad after all. Whenever the manager wanted to set off in an innovative new direction, the mayor and council were on board.

"It is unusual," admits Sheryl Sculley, who at the moment is both deputy city manager and Mayor Rimsza's chief of staff. "There are people who think I'm a traitor to the city management profession." But in her view, it was the willingness to break rules that got Phoenix where it is today. "Marvin Andrews saved the system," she says, "by doing unconventional things."

To a great extent, they are still being done. Last year, when the city built a new government center, it confronted the question of just how much to honor the tradition of politics/management separation that had been breached for nearly a decade by the liaison arrangement. Fairbanks, Andrews' protégé and successor, came up with an Andrews-like solution. He placed the manager's office and the mayor's office on separate floors. Then he designed an open staircase to connect them.



'I don't report to the Board of Supervisors.'

—Maricopa County Sheriff Joe Arpaio

The two most interesting questions about public administration in Phoenix right now are these: Can the county government stay this bad? And can the city manage to stay this good?

For perhaps the first time in modern memory, there is reason to be hopeful about the county. In the view of many who work there, Maricopa County government hit bottom in mid-1994, when its managers had to roll over tax anticipation notes just to stay solvent for the rest of the year. During a visit to New York, county officials were told by Standard & Poor's that theirs was the worst financial management system the company had seen since New York City in 1975. Barbra Cooper, then the acting county manager, didn't really disagree. "I was selling smoke," she admits. "I was smiling a sweet little smile and saying, 'Trust Me.' "

Since then, however, the county has taken some surprisingly decisive steps. Later in 1994, at Cooper's direction, it drafted a business plan that called for the restructuring of $26 million of its $67 million debt, the elimination of more than 1,000 jobs, and $16 million in budget cuts for the 1994-95 fiscal year. More than $2 million in assets has been sold, nearly 300 employees laid off, job training programs eliminated and county parks closed for portions of the year. At the beginning of January, a new county administrator, David Smith, was hired amid promises from the five supervisors to grant him the authority to do the job.

In the long run, however, Maricopa County will not be able to solve its most serious problems until it finds a way to address its structural flaws. At some point in the next year, with the express permission of the legislature, the Board of Supervisors will probably ask county voters to establish a commission that would draft a new "home rule" charter, most likely creating either an elected county executive or a professional manager with genuine clout, a la Marvin Andrews or Frank Fairbanks in Phoenix.

On the one hand, the timing seems good. Nobody needs to be convinced that county government is in need of dramatic improvement. "It's an attempt to fix a dysfunctional machine," says Supervisor Tom Rawles. "Our selling point is that things are so bad, they need to fundamentally change." On the other hand, it will be easy for critics to argue that a county whose performance has been as inept as Maricopa's should not be given new home rule powers as a reward. Among those making this argument will be several of the current elected officials whose jobs would almost certainly be eliminated under a reform charter. The sheriff has already declared his opposition. "I will never go for an appointed sheriff," Arpaio vows.

Whether the charter will happen soon is very much in doubt. It may be the beginning of the next century before any charter decisions have real effect on the structure of county government. Still, there is growing agreement that it will happen eventually. "The best thing that will come out of this is an identity," says Barbra Cooper. "We have to have one. But it will take us a long time to get there."

Meanwhile, across the street, Phoenix city government faces the much simpler task of merely maintaining the momentum and creativity it has already established. There are many reasons why it might be expected to do that, not least of them the pool of talent that has been attracted to careers in government there during the past 15 years. In the early 1980s, Marvin Andrews instituted an internship program that brings bright young public administration students to Phoenix for work-study programs; a remarkable number of the early graduates of this program settled in town, and today, 15 years later, form the nucleus of a whole new generation of managers. At a time when other city governments are strapped for talent, Phoenix is amply stocked.

Equally important, the Bertelsmann prize and the ensuing publicity make it seem all but unthinkable that any mayor in the near future will do what Goddard thought about doing in the early 1980s—dismantle the structure that produced all the good fortune. The managers have managed to convince the politicians in Phoenix that tampering with the structure would amount to killing off a golden goose. And the politicians accept it. "The council here understands that they are policy makers," says Mayor Rimsza. "The managers run day-to-day business." At this point, "the system," as some like to call it, comes close to being an article of faith in Phoenix.

But structures of government are a lot more fragile than people tend to realize, especially when they are working well. A combination of bad choices in Phoenix—a manager who took the politicians and the voters for granted, or a mayor who insisted on being a micro-manager—and the prize-winning system might turn out to be in more jeopardy than seems possible at the moment. When it comes to building a government, no structure is quite as impregnable as it may look. That is the one sobering thought at City Hall in Phoenix these days—and it may be the one glimmer of hope at the county building across the street. G

Reed Rahn photograph