

Streamlining Philadelphia's Bloated Bureaucracy

As the economic crisis wanes reformers challenge the Mayor to make good on promises to transform city government

It's been just over two years since Michael Nutter trounced Republican Al Taubenberg to become Mayor of Philadelphia on a campaign of reforming City Hall.

Yet nearly halfway through his first term, some local politicians and those in the city's watchdog community say that despite early successes, Nutter has fallen far short of his goal to transform municipal government.

As the Mayor works with City Council to undertake a sweeping overhaul of the Bureau of Revision of Taxes (BRT) – long plagued by charges of patronage and inefficiency – there is renewed hope that as the economic crisis wanes he will take a more active leadership role in streamlining the city's encumbered bureaucracy.

“Whether Nutter succeeds as mayor or not doesn't depend on the Dad Vail regatta. It depends on whether he can make government cheaper and more effective at the same time,” said Committee of Seventy President Zack Stalberg. “There's no question that the budget crisis derailed his plan so I guess the real test is 2010; as the economy gets better, will he take an aggressive posture in terms of making government more efficient or not?”

To be fair, Mayor Nutter set a high bar early in his tenure. After taking office he launched an ambitious 2009-2014 Reform Agenda to look at ways to “improve efficiency, reduce costs and provide better services to citizens.” Among other things the Mayor's Office promised a review of six departments accounting for roughly 16,000 city employees to find ways to cut costs and improve service.

In an interview with the *Tribune*, Managing Director Camille Barnett said that process is well under way, and emphasized that reform is a “continuing effort.”

In December 2008 the city commissioned 12 “Reform Teams” to conduct the departmental reviews, and the administration has been partnering with the private sector to develop strategies to cut costs and increase service levels.

“We're already implementing cost cutting measures [and] some of these proposals were incorporated into the budget process,” she said. “We'll have a more formal rollout of these recommendations after the first of the year. We're going to start small.”

Among the areas the teams reviewed were the Police, Fire, Prisons, Streets and Human Services departments. The Reform Teams report their progress at monthly PhillyStat meetings.

An example of the “small” reforms that have been implemented this year is the installation of 500 BigBelly solar trash compactors across the city that notify workers when they need to be emptied, thereby eliminating wasted trips. The new cans will save Philadelphia an estimated \$12.9 million over ten years, the administration said. In October the city received funding to deploy another 260 compactors.

But experts say it will take more than a collection of small triumphs to get the city’s bureaucracy under control; rather it will involve confronting systemic problems that took decades and successive administrations to take root.

Through interviews with city lawmakers, business leaders and the heads of government watchdog agencies, a picture emerges of a municipal bureaucracy resistant to change, with a bloated management layer, a disproportionate number of administrative workers, and an oversight structure lacking the technology to even determine where the problems lie let alone how to address them.

Too Many Middle Managers

In a city that has among the highest number of municipal employees per capita, getting a handle on the size and cost of the workforce is a necessary first step to realizing reform, says Harold Epps, who in March was appointed to chair the Mayor’s Task Force on Tax Policy and Economic Competitiveness.

In its preliminary list of short-term goals, released in August, the Task Force said the city must focus on “efficiencies, productivity, and expenditures” that are out of line with peer and comparable cities and the private sector.

“[Our Task Force] concluded that in order to better position ourselves we need to reduce the appetite of dollars to run the city,” said Epps. “We need to reduce the overall cost of running the city.”

Epps said reducing expenditures by just five percent would lead to \$200 million in annual savings.

Even as the Mayor presided over a crippling budget crisis in the midst of the worst recession since the Great Depression, he has failed to significantly reduce departmental expenditures; and the number of budgeted positions in the city workforce – after hitting their lowest level in a decade in FY2009 -- is poised to grow this year. The city is projected to have 23,223 filled, full-time general fund positions in fiscal 2010, an increase of 593 employees over last year and the highest level since 2004.

The municipal workforce is also notoriously top-heavy, with a swell of middle managers serving largely in administrative roles.

“If you did a comparison of Philadelphia as it relates to the number of supervisors per employee we have one of the highest number of supervisors and managers of any city in the nation and we think a lot of that comes from obsolete technologies and just the redundancies and duplicate departments that

exist,” said Epps. “[The city] throws people at the problem, resulting in frustration and also adding costs.”

According to the Committee of Seventy, there are currently around 6,000 supervisors in a staff of just over 22,000, an average of more than one for every three employees. Sources say there are several reasons for this, from contract language that mandates promotion commensurate to seniority to a top-down approach to trimming staff that leaves workers in non-supervisory roles most vulnerable to downsizing.

Barnett says the city has not conducted a staffing study that could verify the numbers cited by the Committee of Seventy, but added: “It makes sense that if there is a supervisor they should be supervising people.”

“The whole idea is reforming the way departments function – it will be a much more team-based approach rather than a bureaucratic one,” she said. “The idea is not just go through and cut managers. I’m expecting there will be some changes in our workforce but I don’t expect any wholesale cuts.”

Too Few Service Workers

According to data gleaned from the City Manager’s Quarterly Report, the cost of maintaining the city’s workforce has remained relatively unchanged since the Street administration, averaging about \$1.3 billion annually. Last year, overtime accounted for 10-13 percent of city payroll costs, compared to other municipalities where overtime costs average 5 percent, or the private sector where they average just 1 percent, according to a City Council report.

The Mayor is currently negotiating new contracts with the city’s four municipal labor unions. His Five-Year Plan assumes there will be no wage increases and calls for \$25 million in annual savings from benefit and work rule changes, including slashing overtime. But budget experts say the later in the fiscal year it gets without contracts in place the harder it will be to make up the difference.

“As the labor negotiations are ongoing it’s not clear how the administration is going to achieve that volume of savings,” said Sophie Bryan, a budget specialist and Chief of Staff to Councilman Bill Green, “We’re basically halfway through fiscal 2010, so it will be doubly hard to achieve \$25 million in this fiscal year.”

Since taking his seat in 2008 the freshman at-large councilman has emerged as a vocal proponent of using technological innovation to fix city government.

“We simply can’t afford not to change,” he said. “We have to put in place a different process of supervising people that relies on technology. We’ve been trying to do this for two years and the city is just unwilling to make the investment.”

Last spring Green concluded a sweeping study of the city’s workforce going back to 1960. Among the findings: a 27 percent decline in the city’s population over the past 50 years has been paralleled by only a four percent drop in the municipal workforce.

“As a result, the number of employees supported by each Philadelphia resident has increased,” Green explained. “However, despite the relative increase in public employees, the average resident has not experienced an increase in the number of personnel working in municipal agencies that provide services.”

Green says that’s because over the years the city jobs that have disappeared have disproportionately been service jobs.

“What we’ve done is eliminate people providing service to citizens but all of the supervisory jobs have stayed,” he said.

His analysis found eight service-oriented departments have experienced the bulk of personnel cuts over time, losing 29 percent of their personnel from their peak in the 1970s. Service-oriented jobs include those in the Police and Fire Departments, the Department of Recreation, L&I, Public Health, and the Free Library. During the same period the number of administrative jobs increased slightly. Green also found the proportion of general fund employees performing county functions has more than doubled since 1960.

He calls for a “flattening” of city government by “eliminating unnecessary layers of bureaucracy and focusing human capital on the direct delivery of services to citizens.” Green believes this can be done through attrition and investment in technology alone.

Despite Green’s assertion that the city has been uncooperative, Barnett insists the administration is dedicated to bringing government technology up to date. “We’ve got to make these investments in technology,” she said. She added that the Managing Directors Office is aware of the glut of workers in administrative roles and has been working to rectify it.

Too Many Departments

Former City Controller Jonathan Sidel -- who’s currently campaigning for Lieutenant Governor -- literally wrote the book on reforming Philadelphia’s municipal bureaucracy. His 1999 edition of “Philadelphia: A New Urban Direction,” received accolades for its “revealing” analysis of the city’s workings and “innovative” approach to reform.

A second edition was released in 2005, the year that Sidel, who had served as controller for 16 years, chose not to seek a fifth term and briefly threw his hat into the 2007 mayoral race. Sidel says there’s always a tendency to want to reform government when times are bad.

“Government runs in such a haphazard way that I think it’s one of the reasons that it grows incrementally and doesn’t reorganize itself,” he said. “If you reform government as the decisions needed to be made, whether you had a surplus or not, you wouldn’t have half the problems you have today.”

He believes that every city department should have a mission statement and be periodically reviewed to determine whether that mission is still valid and how well employees are effectuating its fulfillment. He

says periodic departmental assessments would help eliminate needless layers and obsolete departments.

“If you look back on a history of a place like Philly, half the departments didn’t exist before 1960. Some of them were created when there was a federal funding stream but for some reason we never get rid of departments once their mission is over and we never get rid of departments once the funding is over. You just gotta go through this thing very quickly and excise the cancer, and people have to know that you’re serious about it.”

But simply mention the possibility of cutting city employees and watch the wagons circle.

“If [the Mayor] talks about laying people off, that’s a problem,” exclaimed Councilwoman Janie Blackwell in a recent *Daily News* article on Nutter’s progress.

If cutbacks are determined to be necessary, Stalberg says a good place to start would be with employees in non-civil service positions. These so-called “exempt” workers serve typically in management positions and are not covered by one of Philadelphia’s four municipal unions. According to data provided by Uri Monson, executive director of the Pennsylvania Intergovernmental Cooperation Authority (PICA), there are currently 3,120 such employees in city and county positions, 689 of them directly under the Mayor’s control.

“If in fact there are too many supervisors and too many managers that’s an immediate place to start, with the people who aren’t covered by civil service or aren’t covered by a particular union,” said Stalberg.

Saidel says that whenever tough decisions are made there are bound to be people who are unhappy about it; but he says a strong mayor with the right ideas and the political will to see them through will ultimately gain the support he or she needs.

“In the end a streamlined organization that answers to the authority of the mayor, that understands its mission...is not only cost effective but gives people the deliverable services that they deserve,” he said. “If the people feel confident that their government is doing the very best they can with the limited resources they have, it is a population that will accept change because they will believe in you.”