

**The original documents are located in Box 39, folder “Urban Policy (2)” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.**

### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

*Art - 5/4/76  
New good -  
we ought to  
convene for  
President's w/o.  
pls see  
me.*

THE WHITE HOUSE  
WASHINGTON

April 9, 1976

MEMORANDUM FOR:

JIM CANNON

FROM:

STEVE McCONAHEY & PAT DELANEY

*Jim*

As a followup to our last meeting on Urban Issues and Art Quern's memorandum of April 8 on that subject, we have (1) developed a brief analysis of the current financial status of several American cities and (2) drafted a procedure for handling calls and inquiries from cities claiming "financial crisis."

FINANCIAL PROFILE

There are two problems involved in developing a list of financially plagued cities. First, it is difficult to secure reliable and up-to-date data. Secondly, we feel it would be unwise to create such a list given the possibility that it would be circulated outside the White House. If circulated, it would be potentially hazardous to these cities as they sought financing. Nevertheless, we have described the condition of several cities in three ways:

1. Based on the 1972 ACIR financial study: In its original analysis, ACIR identified six warning signs:

- a. *BIG DEFICIT IN CURRENT YEAR*  
an operating fund revenue-expenditure imbalance in which current expenditures significantly exceeded current revenues in one fiscal period.
- b. *DEFICITS FOR several yrs*  
a consistent pattern of current expenditures exceeding current revenues by small amounts for several years.
- c. an excess of current operating liabilities over current assets (a fund deficit).
- d. short-term operating loans outstanding at the conclusion of a fiscal year (or in some instances the borrowing of cash from restricted funds or an increase in unpaid bills in lieu of short-term loans.

*Borrowing from restricted funds*



*Property owners can't pay tax*

- e. a high and rising rate of property tax delinquency.
- f. a sudden and substantial decrease in assessed values for ~~un~~ *aggregate* unexpected reasons.

*Drop in assessed property values*

Tables 1,2,4 and 5 indicate the financial condition of cities identified by ACIR in its analysis. We have not been able to develop the information for all of these indicators because of the lack of consistent data.

2. Based on Standard & Poor's Ratings

We have also provided the Standard & Poor rating for the selected list of 30 cities and the USCM list (see attached). This chart could be misleading in that it seems to portray a very strong picture for the financial condition of these cities. Those cities with a AA or A could in fact, during a period of tight money, run into difficulty with financing. The cities with a AAA would be the first in line in the money market. All of these, of course, would stand in back of Federal borrowing to finance the current deficits. For example, Detroit with a A rating during the New York City crisis could not find an underwriter. There was just no market for their bonds. So these ratings must be considered in tandem with "market conditions".

3. Based on the USCM Analysis

*United States Conference of Mayors*

We also have attached a somewhat different list prepared by the USCM at our request. This list contains cities that they have identified as problems (see attachment). This list contains several of the descriptors of the conditions found in Detroit, Cleveland, Yonkers, Newark, Boston, Baltimore and Buffalo. Again, one should note the incomplete nature of these data.

These three analyses provide a sense of the financial conditions found in many cities. However, these data do not provide a good profile of smaller cities. Data for these jurisdictions is even more incomplete. Again, we want to caution against developing a specific problem list for White House monitoring. Our contact with cities and their public interest organizations should provide us with an adequate warning system.



INTERNAL PROCEDURE

In response to the second request, we have drafted a procedure for the handling of specific inquiries from cities claiming a financial crisis (see attachment).



Table I  
 Revenue-Expenditure Comparison  
 General Operating Fund  
 Large Cities  
 (Cash Basis)

Cities (in order of population)	Excess or (Deficiency) of Revenues Compared to Expenditures (\$ millions)	
	1971*	1974*
New York	\$ (656.2)	\$ (807.8)
Chicago	14.0	36.7
Los Angeles	(5.5)	40.7
Philadelphia	(48.8)	5.5
Detroit	17.5	8.6
Houston	(4.1)	(8.0)
Baltimore	(8.3)	23.9
Dallas	(.9)	1.2
Cleveland	(13.2)	0
Indianapolis	.2	(.7)
Milwaukee	12.2	7.3
San Francisco	13.4	9.8
San Diego	2.1	4.9
San Antonio	(.4)	1.6
Memphis	3.5	NA
Boston	1.5	(15.9)
St. Louis	(4.5)	(10.7)
New Orleans	0	9.8
Phoenix	(1.0)	8.5
Columbus	1.0	3.2
Seattle	1.8	(1.1)
Jacksonville	(2.5)	11.0
Pittsburgh	5.2	.3
Denver	4.2	4.0
Kansas City	(1.3)	1.1
Atlanta	(2.0)	8.7
Buffalo	(5.4)	(6.1)
Cincinnati	(.5)	1.6
Nashville	2.6	.5
Minneapolis	1.1	(7.3)

\*Source: Compiled from available published financial reports for each city; see accompanying list.

Table II  
 Accumulated Fund Balance or Deficit  
 General Operating Fund  
 Large Cities  
 (Pro Forma Cash Basis)

Cities (in order of population)	Balance or (Deficit) (\$ millions)	
	1971*	1974*
New York	\$(657.6)	\$(1,492.3)
Chicago	(188.3)	(179.0)
Los Angeles	115.0	160.3
Philadelphia	(29.2)	(6.7)
Detroit	(17.2)	(25.6)
Houston	13.6	6.8
Baltimore	9.2	15.4
Dallas	3.8	(1.2)
Cleveland	(13.6)	0
Indianapolis	2.0	3.1
Milwaukee	17.5	37.8
San Francisco	79.9	114.2
San Diego	4.8	2.8
San Antonio	2.8	1.4
Boston	25.9	(22.6)
Memphis	5.6	NA
St. Louis	(3.5)	(14.6)
New Orleans	(.8)	2.8
Phoenix	3.0	.4
Columbus	1.7	6.9
Seattle	14.7	10.1
Jacksonville	15.4	14.1
Pittsburgh	7.3	16.5
Denver	7.2	3.9
Kansas City	.7	.8
Atlanta	10.1	20.5
Buffalo	1.6	(21.8)
Cincinnati	1.3	11.1
Nashville	2.8	10.4
Minneapolis	5.4	6.6

\*Source: Compiled from available published financial reports for each city; see accompanying list.

Table IV  
Annual Percentage Change in  
General Operating Fund Revenues  
and Expenditures, 1974\*  
Large Cities

Cities (in order of population)	Percentage Increase (Decrease) Revenues	Percentage Increase (Decrease) Expenditures
New York	3.7%	10.1%
Chicago	12.0	12.4
Los Angeles	9.7	(2.5)
Philadelphia	(.1)	3.1
Detroit	0	1.6
Houston	9.1	12.7
Baltimore	4.1	.1
Dallas	9.6	7.7
Cleveland	13.0	1.5
Indianapolis	5.1	6.8
Milwaukee	9.4	.6
San Francisco	(1.9)	2.3
San Diego	17.9	11.4
San Antonio	19.5	16.0
Boston	19.6	<del>15.4</del>
Memphis	NA	NA
St. Louis	14.8	17.7
New Orleans	21.6	15.3
Phoenix	13.3	16.8
Columbus	8.1	8.4
Seattle	8.1	8.7
Jacksonville	20.9	9.8
Pittsburgh	(10.0)	(7.1)
Denver	19.4	8.6
Kansas City	5.3	6.7
Atlanta	12.8	3.1
Buffalo	3.3	(8.0)
Cincinnati	4.5	8.7
Nashville	19.4	10.1
Minneapolis	(2.4)	5.8
Average	9.3%	7.0%
Median	9.1%	8.4%

\*Source: Compiled from available published financial reports for each city; see accompanying list.





Table V  
 General Obligation Bonded Debt  
 Large Cities  
 December 31, 1971 and April 30, 1974

Cities (in order of population)	Debt Per Capita		Debt as a Percentage of Value*	
	12/31/71	4/30/74	12/31/71	4/30/74
New York	\$612	\$850	7.5	8.1
Chicago	204	357	2.7	3.8
Los Angeles	331	362	3.1	3.0
Philadelphia	456	445	12.5	6.6
Detroit	293	372	3.9	4.6
Houston	509	535	5.5	3.6
Baltimore	374	262	6.4	3.8
Dallas	521	666	5.0	5.8
Cleveland	369	369	3.9	3.9
Indianapolis	275	338	3.8	5.0
Milwaukee	316	357	4.5	4.0
San Francisco	455	564	3.4	4.0
San Diego	237	181	2.6	1.6
San Antonio	240	344	5.3	6.4
Memphis	435	386	6.6	4.8
Boston	536	456	17.2	5.7
St. Louis	338	259	4.7	3.2
New Orleans	486	504	6.9	5.4
Phoenix	230	304	3.7	3.3
Columbus	330	413	4.9	5.6
Seattle	422	540	3.6	4.5
Jacksonville	173	293	3.5	4.2
Pittsburgh	285	626	5.4	10.1
Denver	75	309	0.9	2.4
Kansas City	387	471	4.5	5.3
Atlanta	458	474	4.8	3.5
Buffalo	345	464	8.2	11.0
Cincinnati	432	409	4.6	3.5
Nashville	367	367	7.2	7.2
Minneapolis	254	467	2.6	5.1
Average	358	425	5.3	5.0
Median	356	398	4.8	4.6

Source: Municipal Bond Selector, Standard and Poor's Corporation, III,  
 No. 6, December 31, 1971 and April 30, 1974.

\*Assessed Value

STANDARD & POOR

February 1976  
 Standard & Poor's Municipal Bond Ratings for 30 Selected Cities  
 General Obligation Bonds (except where designated otherwise)

Cities  
 (in order of population)

*	New York	
AA	Chicago	(TAN)
AA	Los Angeles	(County)
A-	Philadelphia	
A	Detroit	(I.S.D.)
AA	Houston	
A	Baltimore	
AA	Dallas	(I.S.D.)
AA	Cleveland	(Water Rev)
AAA	Indianapolis	(Various Authority & S.D.)
AAA	Milwaukee	(County)
AA	San Francisco	(BART-Revenue)
AA	San Deigo	(County)
AA	San Antonio	
A	Boston	
AA	Memphis	
A	St. Louis	
A	New Orleans	(SWR & WTR Bonds)
AA	Phoenix	(U.H.S.D.)
AA	Columbus	
AA	Seattle	
AA	Jacksonville	
AA	Pittsburgh	
AAA	Denver	(S.D. #1)
AA	Kansas City	
AA	Atlanta	
A	Buffalo	
AA	Cincinnati	
A+	Nashville	(Various Revenue Bonds)
AAA	Minneapolis	
NR	Yonkers	
BBB	Newark	
AA	Saginaw	(County)
AA	Flint	(S.D.)
AA	Grant Rapids	(S.D.)
AA	Royal Oak	(S.D.)

(USCM LIST) --

\*Rating Suspended

AAA Prime--These are obligations of the highest quality. They have the strongest capacity for timely payment of debt service.

AA High Grade--Bonds rate AA have the second strongest capacity for payment of debt service.

A Good Grade--Principal and interest payments on bonds in this category are regarded as safe.

BBB Medium Grade--This is the lowest investment grade security rating.

NR No rating

February 1976  
 Standard & Poor's Municipal Bond Ratings for 30 Selected Cities  
 General Obligation Bonds (except where designated otherwise)

Cities  
 (in order of population)

*	New York	
AA	Chicago	(TAN)
AA	Los Angeles	(County)
A-	Philadelphia	
A	Detroit	(I.S.D.)
AA	Houston	
A	Baltimore	
AA	Dallas	(I.S.D.)
AA	Cleveland	(Water Rev)
AAA	Indianapolis	(Various Authority & S.D.)
AAA	Milwaukee	(County)
AA	San Francisco	(BART-Revenue)
AA	San Deigo	(County)
AA	San Antonio	
A	Boston	
AA	Memphis	
A	St. Louis	
A	New Orleans	(SWR & WTR Bonds)
AA	Phoenix	(U.H.S.D.)
AA	Columbus	
AA	Seattle	
AA	Jacksonville	
AA	Pittsburgh	
AAA	Denver	(S.D. #1)
AA	Kansas City	
AA	Atlanta	
A	Buffalo	
AA	Cincinnati	
A+	Nashville	(Various Revenue Bonds)
AAA	Minneapolis	
NR	Yonkers	
BBB	Newark	
AA	Saginaw	(County)
AA	Flint	(S.D.)
AA	Grant Rapids	(S.D.)
AA	Royal Oak	(S.D.)

(USCM LIST) --

\*Rating Suspended

AAA Prime--These are obligations of the highest quality. They have the strongest capacity for timely payment of debt service.

AA High Grade--Bonds rate AA have the second strongest capacity for payment of debt service.

A Good Grade--Principal and interest payments on bonds in this category are regarded as safe.

BBB Medium Grade--This is the lowest investment grade security rating.

NR No rating

USCM STUDY

	<u>Detroit</u>	<u>Cleveland</u>	<u>Yonkers</u>	<u>Newark</u>	<u>Boston</u>	<u>Baltimore</u>	<u>Buffalo</u>
Unemployment Rate (Dec.75)	17.4		(Nov75) 10.8				16.9
Total Budget FY 75-76	808.0 Million	324.8 Million	124.0 Million (with School)	209.8 Million (1/75-12/75)	661.0 Million (with school)	1,425.5 Million (with schools)	480.0 Mill.
Federal Revenue Sharing	39.5 Mill.	16.0 Mill.	1.6 Mill.	8.7 Mill.	25.0 Mill.	27.0 Mill.	8.2 Mill.
State Revenue Sharing or Aid	67.2 Mill.	-	10.2 Mill.	2.5 Mill.	140.0 Mill.	-	21.4 Mill.
Projected Deficit	44.3	0 <i>22.</i>	8.5 Mill.	5.5 Mill.	33.0 Mill.	0	34.0 Mill.
Previous Year Carry over	17.2	0	6.5 Mill.	0	14.7 Mill.	0	20.0 Mill.
Highest Level of Employment	19,942 (1/75)	13,000 (1970)	5,500 (1975)	6,100 (1/75)	23,327 (2/1/74)	31,000	6,330 (1975)
Present Level of Employment	18,314 (12/75)	10,992	4,683	5,100	14,282	32,882	5,250
Projected Level 7/1/76	?	10,800	4,500	4,900	13,700	32,882	4,050
CETA Employment (Current)	2,864	1,700	?	?	1,310	200	1,600
Areas of Past Employer Reduction	Across the Bd.	Waste, Health, Rec, Finance	Across the Bd.		Across the Bd.		Mostly garbage Parks but Across the Bd.
Areas of Anticipated Employee Reduction	Across the Bd.	Recreation & Property	Across the Bd.		Parks & Rec.		Pks. to go off of business
Shorter work week							Yes
Work Without Pay							
Reduced Services					Mounted Squad Disbanded		No backyard garbage
Closed Facilities			Library, Museum shorter hours		Printing plant closed		Closed Parks Rec Centers



Detroit

Cleveland

Yonkers

Newark

Boston

Baltimore

Buffalo

Pay Freeze

Municipal increase negotiated

Pay freeze 11/75

Pay Cut

Referendum Rejected by voters

Real Prop. Tax increased to max.

Tax Increase

Bonding Operating Exp or Tax Anticipation Notes Interest Rate

8.5 Mill.  
9.0 %

15.0 Mill.  
8.75 %

85.0 Mill.  
7.30 %

54.0 Mill.  
9.0%



Seattle

Tax Increases

Bonding Operating Exps. or  
Tax Anticipation Notes  
Interest Rate

Atlanta

Prop. Tax Increase  
In 1974

Philadelphia

Tax increases in  
virtually all  
categories

100 Million

Saginaw

Flint

Grand  
Rapids

Royal  
Oak

Prop. Tax Increase  
3 mils. for 5 years





	Seattle	Atlanta	Philadelphia	Saginaw	Flint	Grand Rapids	Royal Oak
Unemployment Rate	8.8	12.0	(Metro) 9.4	(Jan.76) 8.5		12.0	
Total Budget FY 75-76	279.9 Million	130.5 Million	1,160.0 Million	36.6 Million	49.9 Million	?	13.0 Mill.
Federal Revenue Sharing	-	7.0 Mill.	52.2 Mill.	2.7 Mill.	4.2 Mill.	3.5 Million	.5 Mill.
State Revenue Sharing or Aid	8.7 Mill.	2.5 Mill.	-	2.6 Mill.	5.1 Mill.	6.9 Mill.	2.2 Mill.
Projected Deficit	0	0	80.0 Mill.	0	0	0	3.0 Mill.
Previous Year Carry Over	0	0	11.0 Mill.	0 0	0	0	part of Mill.
Highest Level of Employment	12,000 (1973)		35,000	1,073	2,000	2,517	461
Present Level of Employment	9,090		35,000	1,073	2,000	2,447	451
Projected Level 7/1/76	9,090		35,000	1,073	1,800	2,447	451
CETA Employment (Current)	600		?		400	417	74
Areas of Past Employee Reduction	Across the Bd.				Across the Bd	Across the Bd	
Areas of Anticipated Employee Reduction	Across the Bd.				Across the Bd.		
Shorter Work Week							
Work Without Pay							
Reduced Services							
Closed Facilities				Close Hospital			
Pay Freeze				Freeze being negotiated			
Pay Cuts							



DRAFT PROCEDURE

PROPOSED PROCEDURE FOR MONITORING  
CITY FINANCIAL PROBLEMS

Outlined below is a suggested procedure for responding to calls and correspondence outlining a city's financial problem and/or requesting assistance. The process would provide a focal point for information and would insure a coordinated White House response. The procedure would involve the following steps:

1. Complete check list of information based on telephone conversations or written correspondence, and forward this information to the Office of Intergovernmental Affairs. The check list should include the following information:

- A. Name of City
- B. State
- C. Name of Mayor
- D. Provider of information/position
- E. Brief description of the problem
  - Nature of problem
  - Amount of money involved
  - State action and response to date
  - Alternatives available
  - Proposed solution
  - Availability of documentation
  - Nature of request to Federal Government
  - Other groups involved, e.g. banks, business

2. Develop and maintain in the Office of Intergovernmental Affairs a file on the city in question.

The files should include the following items:

- A. Completed check list
  - B. Log of calls and discussions along with description of actions taken
  - C. Correspondence
  - D. Assignment of lead responsibility
  - E. Copies of memoranda and decision papers
3. Assign day-to-day responsibility for monitoring and follow up with the city. (This would likely be IGA staff or specific agency representatives).
  4. Alert the President of the situation through Jim Cannon's weekly report.
  5. Circulate check list from Jim Cannon to the Urban Task Force. The circulation list should include at a minimum the following:
    - A. Cannon
    - B. Seidman
    - C. O'Neill
    - D. Simon
    - E. Fletcher
    - F. Quern
    - G. McConahey
    - H. Appropriate Domestic Council Staff

6. Convene Urban Task Force as necessary to review the situation, receive analysis and information from the city in question, and develop necessary memoranda and recommendations for the President.
  
7. Make recommendations to the EPB as necessary.

Cities May Flourish  
In South and West,  
Decline in Northeast

---

But Manhattan Could Be  
A Rich Enclave; Suburbia  
To Expand Everywhere

---

A Downturn in Violence?

---

By ROGER RICKLEFS

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—Only a dozen years ago,

# The Future Revised: Cities Likely To Flourish in the South and West

THE WHITE HOUSE

WASHINGTON

April 9, 1976

MEMORANDUM FOR:

JIM CANNON

FROM:

STEVE MCCONNHEY & PAT DELANEY

As a followup to our last meeting on Urban Issues and Art Quern's memorandum of April 8 on that subject, we have (1) developed a brief analysis of the current financial status of several American cities and (2) drafted a procedure for handling calls and inquiries from cities claiming "financial crisis."

FINANCIAL PROFILE

There are two problems involved in developing a list of financially plagued cities. First, it is difficult to secure reliable and up-to-date data. Secondly, we feel it would be unwise to create such a list given the possibility that it would be circulated outside the White House. If circulated, it would be potentially hazardous to these cities as they sought financing. Nevertheless, we have described the condition of several cities in three ways:

1. Based on the 1972 ACIR financial study: In its original analysis, ACIR identified six warning signs:
  - a. an operating fund revenue-expenditure imbalance in which current expenditures significantly exceeded current revenues in one fiscal period.
  - b. a consistent pattern of current expenditures exceeding current revenues by small amounts for several years.
  - c. an excess of current operating liabilities over current assets (a fund deficit).
  - d. short-term operating loans outstanding at the conclusion of a fiscal year (or in some instances the borrowing of cash from restricted funds or an increase in unpaid bills in lieu of short-term loans.



- e. a high and rising rate of property tax delinquency.
- f. a sudden and substantial decrease in assessed values for unexpected reasons.

Tables 1,2,4 and 5 indicate the financial condition of cities identified by ACIR in its analysis. We have not been able to develop the information for all of these indicators because of the lack of consistent data.

2. Based on Standard & Poor's Ratings

We have also provided the Standard & Poor rating for the selected list of 30 cities and the USCM list (see attached). This chart could be misleading in that it seems to portray a very strong picture for the financial condition of these cities. Those cities with a AA or A could in fact, during a period of tight money, run into difficulty with financing. The cities with a AAA would be the first in line in the money market. All of these, of course, would stand in back of Federal borrowing to finance the current deficits. For example, Detroit with a A rating during the New York City crisis could not find an underwriter. There was just no market for their bonds. So these ratings must be considered in tandem with "market conditions".

3. Based on the USCM Analysis

We also have attached a somewhat different list prepared by the USCM at our request. This list contains cities that they have identified as problems (see attachment). This list contains several of the descriptors of the conditions found in Detroit, Cleveland, Yonkers, Newark, Boston, Baltimore and Buffalo. Again, one should note the incomplete nature of these data.

These three analyses provide a sense of the financial conditions found in many cities. However, these data do not provide a good profile of smaller cities. Data for these jurisdictions is even more incomplete. Again, we want to caution against developing a specific problem list for White House monitoring. Our contact with cities and their public interest organizations should provide us with an adequate warning system.

INTERNAL PROCEDURE

In response to the second request, we have drafted a procedure for the handling of specific inquiries from cities claiming a financial crisis (see attachment).

Note: Attached is a Wall Street Journal Article



Table I  
 Revenue-Expenditure Comparison  
 General Operating Fund  
 Large Cities  
 (Cash Basis)

Cities (in order of population)	Excess or (Deficiency) of Revenues Compared to Expenditures (\$ millions)	
	1971*	1974*
New York	\$(656.2)	\$(807.8)
Chicago	14.0	36.7
Los Angeles	(5.5)	40.7
Philadelphia	(48.8)	5.5
Detroit	17.5	8.6
Houston	(4.1)	(8.0)
Baltimore	(8.3)	23.9
Dallas	(.9)	1.2
Cleveland	(13.2)	0
Indianapolis	.2	(.7)
Milwaukee	12.2	7.3
San Francisco	13.4	9.8
San Diego	2.1	4.9
San Antonio	(.4)	1.6
Memphis	3.5	NA
Boston	1.5	(15.9)
St. Louis	(4.5)	(10.7)
New Orleans	0	9.8
Phoenix	(1.0)	8.5
Columbus	1.0	3.2
Seattle	1.8	(1.1)
Jacksonville	(2.5)	11.0
Pittsburgh	5.2	.3
Denver	4.2	4.0
Kansas City	(1.3)	1.1
Atlanta	(2.0)	8.7
Buffalo	(5.4)	(6.1)
Cincinnati	(.5)	1.6
Nashville	2.6	.5
Minneapolis	1.1	(7.3)

\*Source: Compiled from available published financial reports for each city; see accompanying list.

Table II  
 Accumulated Fund Balance or Deficit  
 General Operating Fund  
 Large Cities  
 (Pro Forma Cash Basis)

Cities (in order of population)	Balance or (Deficit) (\$ millions)	
	1971*	1974*
New York	\$ (657.6)	\$ (1,492.3)
Chicago	(188.3)	(179.0)
Los Angeles	115.0	160.3
Philadelphia	(29.2)	(6.7)
Detroit	(17.2)	(25.6)
Houston	13.6	6.8
Baltimore	9.2	15.4
Dallas	3.8	(1.2)
Cleveland	(13.6)	0
Indianapolis	2.0	3.1
Milwaukee	17.5	37.8
San Francisco	79.9	114.2
San Diego	4.8	2.8
San Antonio	2.8	1.4
Boston	25.9	(22.6)
Memphis	5.6	NA
St. Louis	(3.5)	(14.6)
New Orleans	(.8)	2.8
Phoenix	3.0	.4
Columbus	1.7	6.9
Seattle	14.7	10.1
Jacksonville	15.4	14.1
Pittsburgh	7.3	16.5
Denver	7.2	3.9
Kansas City	.7	.8
Atlanta	10.1	20.5
Buffalo	1.6	(21.8)
Cincinnati	1.3	11.1
Nashville	2.8	10.4
Minneapolis	5.4	6.6

\*Source: Compiled from available published financial reports for each city; see accompanying list.

Table IV  
Annual Percentage Change in  
General Operating Fund Revenues  
and Expenditures, 1974\*  
Large Cities

Cities (in order of population)	Percentage Increase (Decrease) Revenues	Percentage Increase (Decrease) Expenditures
New York	3.7%	10.1%
Chicago	12.0	12.4
Los Angeles	9.7	(2.5)
Philadelphia	(.1)	3.1
Detroit	0	1.6
Houston	9.1	12.7
Baltimore	4.1	.1
Dallas	9.6	7.7
Cleveland	13.0	1.5
Indianapolis	5.1	6.8
Milwaukee	9.4	.6
San Francisco	(1.9)	2.3
San Diego	17.9	11.4
San Antonio	19.5	16.0
Boston	19.6	15.4
Memphis	NA	NA
St. Louis	14.8	17.7
New Orleans	21.6	15.3
Phoenix	13.3	16.8
Columbus	8.1	8.4
Seattle	8.1	8.7
Jacksonville	20.9	9.8
Pittsburgh	(10.0)	(7.1)
Denver	19.4	8.6
Kansas City	5.3	6.7
Atlanta	12.8	3.1
Buffalo	3.3	(8.0)
Cincinnati	4.5	8.7
Nashville	19.4	10.1
Minneapolis	(2.4)	5.8
Average	9.3%	7.0%
Median	9.1%	8.4%

\*Source: Compiled from available published financial reports for each city; see accompanying list.

Table V  
 General Obligation Bonded Debt  
 Large Cities  
 December 31, 1971 and April 30, 1974

Cities (in order of population)	Debt Per Capita		Debt as a Percentage of Value*	
	12/31/71	4/30/74	12/31/71	4/30/74
New York	\$612	\$850	7.5	8.1
Chicago	204	357	2.7	3.8
Los Angeles	331	362	3.1	3.0
Philadelphia	456	445	12.5	6.6
Detroit	293	372	3.9	4.6
Houston	509	535	5.5	3.6
Baltimore	374	262	6.4	3.8
Dallas	521	666	5.0	5.8
Cleveland	369	369	3.9	3.9
Indianapolis	275	338	3.8	5.0
Milwaukee	316	357	4.5	4.0
San Francisco	455	564	3.4	4.0
San Diego	237	181	2.6	1.6
San Antonio	240	344	5.3	6.4
Memphis	435	386	6.6	4.8
Boston	536	456	17.2	5.7
St. Louis	338	259	4.7	3.2
New Orleans	486	504	6.9	5.4
Phoenix	230	304	3.7	3.3
Columbus	330	413	4.9	5.6
Seattle	422	540	3.6	4.5
Jacksonville	173	293	3.5	4.2
Pittsburgh	285	626	5.4	10.1
Denver	75	309	0.9	2.4
Kansas City	387	471	4.5	5.3
Atlanta	458	474	4.8	3.5
Buffalo	345	464	8.2	11.0
Cincinnati	432	409	4.6	3.5
Nashville	367	367	7.2	7.2
Minneapolis	254	467	2.6	5.1
Average	358	425	5.3	5.0
Median	356	398	4.8	4.6

Source: Municipal Bond Selector, Standard and Poor's Corporation, III,  
 No. 6, December 31, 1971 and April 30, 1974.

\*Assessed Value

STANDARD & POOR



February 1976

Standard & Poor's Municipal Bond Ratings for 30 Selected Cities  
General Obligation Bonds (except where designated otherwise)

Cities  
(in order of population)

*	New York	
AA	Chicago	(TAN)
AA	Los Angeles	(County)
A-	Philadelphia	
A	Detroit	(I.S.D.)
AA	Houston	
A	Baltimore	
AA	Dallas	(I.S.D.)
AA	Cleveland	(Water Rev)
AAA	Indianapolis	(Various Authority & S.D.)
AAA	Milwaukee	(County)
AA	San Francisco	(BART-Revenue)
AA	San Deigo	(County)
AA	San Antonio	
A	Boston	
AA	Memphis	
A	St. Louis	
A	New Orleans	(SWR & WTR Bonds)
AA	Phoenix	(U.H.S.D.)
AA	Columbus	
AA	Seattle	
AA	Jacksonville	
AA	Pittsburgh	
AAA	Denver	(S.D. #1)
AA	Kansas City	
AA	Atlanta	
A	Buffalo	
AA	Cincinnati	
A+	Nashville	(Various Revenue Bonds)
AAA	Minneapolis	
NR	Yonkers	
BBB	Newark	
AA	Saginan	(County)
AA	Flint	(S.D.)
AA	Grant Rapids	(S.D.)
AA	Royal Oak	(S.D.)

(USCM LIST) --

\*Rating Suspended

AAA Prime--These are obligations of the highest quality. They have the strongest capacity for timely payment of debt service.

AA High Grade--Bonds rate AA have the second strongest capacity for payment of debt service.

A Good Grade--Principal and interest payments on bonds in this category are regarded as safe.

BBB Medium Grade--This is the lowest investment grade security rating.

NR No rating

USCM STUDY

	<u>Detroit</u>	<u>Cleveland</u>	<u>Yonkers</u>	<u>Newark</u>	<u>Boston</u>	<u>Baltimore</u>	<u>Buffalo</u>
Unemployment Rate (Dec.75)	17.4		(Nov75) 10.8				16.9
Total Budget FY 75-76	808.0 Million	324.8 Million	124.0 Million (with School)	209.8 Million (1/75-12/75)	661.0 Million (with school)	1,425.5 Million (with schools)	480.0 Million
Federal Revenue Sharing	39.5 Mill.	16.0 Mill.	1.6 Mill.	8.7 Mill.	25.0 Mill.	27.0 Mill.	8.2 Mill.
State Revenue Sharing or Aid	67.2 Mill.	-	10.2 Mill.	2.5 Mill.	140.0 Mill.	-	21.4 Mill.
Projected Deficit	44.3	0 <i>22</i>	8.5 Mill.	5.5 Mill.	33.0 Mill.	0	34.0 Mill.
Previous Year Carry over	17.2	0	6.5 Mill.	0	14.7 Mill.	0	20.0 Mill.
Highest Level of Employment	19,942 (1/75)	13,000 (1970)	5,500 (1975)	6,100 (1/75)	23,327 (2/1/74)	31,000	6,330 (1/75)
Present Level of Employment	18,314 (12/75)	10,992	4,683	5,100	14,282	32,882	5,250
Projected Level 7/1/76	?	10,800	4,500	4,900	13,700	32,882	4,050
ETA Employment (Current)	2,864	1,700	?	?	1,310	200	1,600
Areas of Past Employer Reduction	Across the Bd.	Waste, Health, Rec, Finance	Across the Bd.		Across the Bd.		Mostly garbage Parks but Across the Pks. to go of business
Areas of Anticipated Employee Reduction	Across the Bd.	Recreation & Property	Across the Bd.		Parks & Rec.		
Shorter work week							Yes
Work Without Pay							
Reduced Services				Mounted Squad Disbanded			No backyard garbage
Closed Facilities			Library, Museum shorter hours		Printing plant closed		Closed Park Rec Centers



Detroit

Cleveland

Yonkers

Newark

Boston

Baltimore

Buffalo

Freeze

Municipal increase negotiated

Pay freeze 11/75

Cut

Increase

Referendum Rejected by voters

Real Prop. Tax increased to max.

ding Operating Exp  
Tax Anticipation Notes  
erest Rate

8.5 Mill.  
9.0 %

15.0 Mill.  
8.75 %

85.0 Mill.  
7.30 %

54.0 Mill.  
9.0%



	Seattle	Atlanta	Philadelphia	Saginaw	Flint	Grand Rapids	Royal Oak
Unemployment Rate	8.8	12.0	(Metro) 9.4	(Jan.76) 8.5			
Capital Budget FY 75-76	279.9 Million	130.5 Million	1,160.0 Million	36.6 Million	49.9 Million	?	13.0 Mi
Federal Revenue Sharing	-	7.0 Mill.	52.2 Mill.	2.7 Mill.	4.2 Mill.	3.5 Million	.5 Mi
State Revenue Sharing for Aid	8.7 Mill.	2.5 Mill.	-	2.6 Mill.	5.1 Mill.	6.9 Mill.	2.2 Mi
Projected Deficit	0	0	80.0 Mill.	0	0	0	3.0 Mi
Previous Year Carry Over	0	0	11.0 Mill.	0 0	0	0	part of Mill.
Highest Level of Employment	12,000 (1973)		35,000	1,073	2,000	2,517	461
Present Level of Employment	9,090		35,000	1,073	2,000	2,447	451
Projected Level 7/1/76	9,090		35,000	1,073	1,800	2,447	451
ETA Employment (Current)	600		?		400	417	74
Areas of Past Employee Reduction	Across the Bd.				Across the Bd	Across the Bd	
Areas of Anticipated Employee Reduction	Across the Bd.				Across the Bd.		
Shorter Work Week							
Work Without Pay							
Reduced Services							
Closed Facilities			Close Hospital				
Pay Freeze			Freeze being negotiated				
Pay Cuts							



Seattle

Atlanta

Philadelphia

Saginaw

Flint

Grand  
Rapids

Royal  
Oak

x Increases

Prop. Tax Increase  
In 1974

Tax increases in  
virtually all  
categories

Prop. Tax Increase  
3 mils. for 5 ye

nding Operating Exps. or  
x Anticipation Notes  
nterest Rate

100 Million



DRAFT PROCEDURE

PROPOSED PROCEDURE FOR MONITORING  
CITY FINANCIAL PROBLEMS

Outlined below is a suggested procedure for responding to calls and correspondence outlining a city's financial problem and/or requesting assistance. The process would provide a focal point for information and would insure a coordinated White House response. The procedure would involve the following steps:

1. Complete check list of information based on telephone conversations or written correspondence, and forward this information to the Office of Intergovernmental Affairs. The check list should include the following information:

- A. Name of City
- B. State
- C. Name of Mayor
- D. Provider of information/position
- E. Brief description of the problem
  - Nature of problem
  - Amount of money involved
  - State action and response to date
  - Alternatives available
  - Proposed solution
  - Availability of documentation
  - Nature of request to Federal Government
  - Other groups involved, e.g. banks, business



2. Develop and maintain in the Office of Intergovernmental Affairs a file on the city in question.

The files should include the following items:

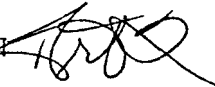
- A. Completed check list
  - B. Log of calls and discussions along with description of actions taken
  - C. Correspondence
  - D. Assignment of lead responsibility
  - E. Copies of memoranda and decision papers
3. Assign day-to-day responsibility for monitoring and follow up with the city. (This would likely be IGA staff or specific agency representatives).
  4. Alert the President of the situation through Jim Cannon's weekly report.
  5. Circulate check list from Jim Cannon to the Urban Task Force. The circulation list should include at a minimum the following:
    - A. Cannon
    - B. Seidman
    - C. O'Neill
    - D. Simon
    - E. Fletcher
    - F. Quern
    - G. McConahey
    - H. Appropriate Domestic Council Staff

6. Convene Urban Task Force as necessary to review the situation, receive analysis and information from the city in question, and develop necessary memoranda and recommendations for the President.
  
7. Make recommendations to the EPB as necessary.

THE WHITE HOUSE

WASHINGTON

April 12, 1976

MEMORANDUM FOR: JIM CANNON  
FROM: ART QUERN   
SUBJECT: Follow-Up to April 9, 1976, Urban  
Issues Meeting

The following are the next steps to be taken in exploration of urban issues:

1. Annexation

Steve and Pat will look into the existing research on the use of annexation by cities to expand their revenue base.

2. Free Trade Zones

Lynn will look into concept of "free trade zones" for urban areas.

3. EDA

Quern will inquire about EDA's programs which have been directed toward urban areas.

4. HUD

Lynn will circulate copies of HUD urban issues paper and each member of the working group will provide Lynn with comments in anticipation of a meeting with Secretary Hills.

5. Johnson and Johnson

Art Fletcher will proceed to set up a briefing session by drafting a letter for Jim Cannon's signature.

6. U.S. Chamber of Commerce

Art Fletcher will suggest Fletcher/Quern meeting with Chamber Washington Urban Affairs Representative.

7. Briefing on Revenue Sharing

Quern will invite Paul Myer to next working session to brief on Revenue Sharing.

8. Allied Services

Steve will have more detailed work prepared examining Allied Services and Joint Funding Simplification Act.

9. Tax Incentives

Quern will get further information on Administration's tax incentive proposal.

THE WHITE HOUSE

WASHINGTON

April 13, 1976

*Syr. Co. memo*

MEMORANDUM FOR THE MEMBERS OF THE DOMESTIC COUNCIL STAFF  
URBAN POLICY STUDY

FROM: LYNN MAY



SUBJECT: Legislation

In the interest of making our group more aware of background material related to urban policy questions, I will be forwarding to you relevant items of information from my sources. Please note the attached item. It is from the Housing and Development Reporter, Vol. 3, #23, April 5, 1976.

Attachment

#### **WAYS AND MEANS PASSES 35 PERCENT INTEREST SUBSIDY FOR TAXABLE BONDS**

The House Ways and Means Committee reported out the "Municipal Taxable Bond Alternative Act of 1976" to provide federal payment of 35 percent of the interest on taxable municipal bonds beginning July 1, 1977.

The bill, (H.R. 12774), which passed the committee on March 29 by four votes, faces an uncertain future on the House floor later this month. Despite Administration support of the measure, only one Republican, second ranking Barber B. Conable, Jr., of New York, voted in favor of it. Republicans and Southern conservative Democrats are expected to launch a strong campaign against it on the floor.

Proponents, led by the bill's sponsor, Ways and Means Committee Chairman Al Ullman (D-Ore), argue that the new taxable bond bill will provide state and local governments an optional route to the corporate bond market when they are having or inadequate agency safeguards, but expressed amazement that despite these warnings, HUD did little to head off impending disaster.

Specifically, the committee found that HUD lost millions of dollars in insurance claims and caused personal tragedy to foreclosed homebuyers because it did not monitor closely enough the activities of approved mortgagees.

Partly as a result of the committee's hearings, the department wrested control over the mortgagees from the office of the FHA Commissioner, where it had been for over 40 years, and placed it in the hands of a four-party committee, the Mortgage Review Board. This group has already moved against a number of mortgagees, including the Advance Mortgage Corp., a subsidiary of Citicorp, and the second largest mortgage banking firm in the country.

The report points out, however, that this could have been done years ago, since the department was aware of servicing shortcomings long before it took any action.

"Perhaps the most disturbing fact about this situation was that everyone knew of the inadequacies in mortgage servicing," the committee wrote, "but felt powerless to do anything to correct them."


The report scored private lenders participating with the government in HUD-FHA insurance programs for failing to live up to the standards laid out in guidelines issued both by HUD and the Federal National Mortgage Association (FNMA), the organization which holds much of the government-insured debt.

Once homes are foreclosed, the report states that the abuses continued, with mortgagees charging the government for work-

THE WHITE HOUSE

WASHINGTON

April 15, 1976

MEMORANDUM FOR: JIM CANNON  
FROM: ART QUERN   
SUBJECT: Discussion Paper on Cities

It seems to me that our general discussion of urban issues has produced a number of threads of thought which are worth summarizing and pursuing.

The following brief rundown of these "threads" is offered only as a means of promoting our continued explorations of particular urban questions.

1. Private Sector Involvement
  - A. Corporations
    - What is it that leads a corporation to commit itself to the betterment of an urban area.
  - B. Banks
    - What roles do banks play in assisting urban areas to weather fiscal crisis and restore fiscal stability.
2. Expanding Revenue Base
  - A. Annexation
    - What are the various possibilities, advantages and disadvantages of annexation.
  - B. "Free trade zones"
    - Whether this concept offers any advantages to urban areas.

## 3. Use of Federal Funds

- We are exploring the "allied services" concept for cities to see if we can enable much greater flexibility in their use of Federal funds. In effect this is an "urban block grant" concept.

## 4. Economic Development

- A. We are examining current EDA policies toward cities.
- B. We are reviewing a type of urban development bank concept.

## 5. Welfare Reform

- The welfare reform studies we are engaged in could offer some relief to cities.

## 6. General Revenue Sharing

- We are monitoring the current deliberations on the Revenue Sharing issue as it relates to cities.

## 7. Gauging Fiscal Health

- A. Steve and Pat have compiled basic information on the major cities as judged by outside groups.
- B. Norm Hurd's intergovernmental finance project could assist by identifying better tools to be used in gauging fiscal conditions of cities.

## 8. Current Federal Programs

## A. HUD

- Carla Hills will be meeting with us soon to review HUD's approach to urban questions.

## B. Transportation

- Judy Hope has been reviewing "urban" questions with DOT staff.


cc: Art Fletcher  
Steve McConahey  
Pat Delaney  
Lynn May  
Allen Moore



THE WHITE HOUSE

WASHINGTON

April 15, 1976

MEMORANDUM FOR: JIM CANNON  
FROM: ART QUERN   
SUBJECT: Discussion Paper on Cities

It seems to me that our general discussion of urban issues has produced a number of threads of thought which are worth summarizing and pursuing.

The following brief rundown of these "threads" is offered only as a means of promoting our continued explorations of particular urban questions.

1. Private Sector Involvement
  - A. Corporations
    - What is it that leads a corporation to commit itself to the betterment of an urban area.
  - B. Banks
    - What roles do banks play in assisting urban areas to weather fiscal crisis and restore fiscal stability.
2. Expanding Revenue Base
  - A. Annexation
    - What are the various possibilities, advantages and disadvantages of annexation.
  - B. "Free trade zones"
    - Whether this concept offers any advantages to urban areas.

## 3. Use of Federal Funds

- We are exploring the "allied services" concept for cities to see if we can enable much greater flexibility in their use of Federal funds. In effect this is an "urban block grant" concept.

## 4. Economic Development

- A. We are examining current EDA policies toward cities.
- B. We are reviewing a type of urban development bank concept.

## 5. Welfare Reform

- The welfare reform studies we are engaged in could offer some relief to cities.

## 6. General Revenue Sharing

- We are monitoring the current deliberations on the Revenue Sharing issue as it relates to cities.

## 7. Gauging Fiscal Health

- A. Steve and Pat have compiled basic information on the major cities as judged by outside groups.
- B. Norm Hurd's intergovernmental finance project could assist by identifying better tools to be used in gauging fiscal conditions of cities.

## 8. Current Federal Programs

## A. HUD

- Carla Hills will be meeting with us soon to review HUD's approach to urban questions.

## B. Transportation

- Judy Hope has been reviewing "urban" questions with DOT staff.

cc: Art Fletcher  
Steve McConahey  
Pat Delaney  
Lynn May  
Allen Moore

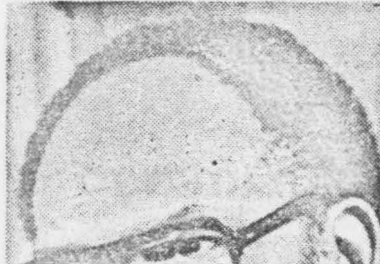
Drive to Fight Bias

# Ford Aide Hits Campaign Hate

By BOB HEATON  
Staff Writer

A presidential advisor, visiting in Wichita Wednesday, lashed out at "race baiting" and "hate baiting" by presidential candidates.

Art Fletcher, deputy assistant to the President for urban affairs and a former Kansan, was here to address



*Urban*  
*Fletcher*  
"What we have already done is to racialize public service programs so much that nobody wants them."

"You know, there are white folks in the inner city who are without jobs too."

*Good jobs*  
"There are white folks there who shoot other people and who take dope. Public service service programs are for everyone who needs them."

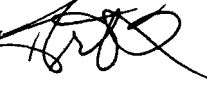
Fletcher said he feels more cities will follow New York City into radical programs of financial reform.

"They are going to have to hold the line on expenses, I think," he said. "I can see more and more cities taking advantage of bankruptcy laws to get their houses in order."

Fletcher was critical of public

THE WHITE HOUSE  
WASHINGTON

April 12, 1976

MEMORANDUM FOR: JIM CANNON  
FROM: ART QUERN   
SUBJECT: Follow-Up to April 9, 1976, Urban  
Issues Meeting

The following are the next steps to be taken in exploration of urban issues:

1. Annexation

Steve and Pat will look into the existing research on the use of annexation by cities to expand their revenue base.

2. Free Trade Zones

Lynn will look into concept of "free trade zones" for urban areas.

3. EDA

Quern will inquire about EDA's programs which have been directed toward urban areas.

4. HUD

Lynn will circulate copies of HUD urban issues paper and each member of the working group will provide Lynn with comments in anticipation of a meeting with Secretary Hills.

5. Johnson and Johnson

Art Fletcher will proceed to set up a briefing session by drafting a letter for Jim Cannon's signature.

6. U.S. Chamber of Commerce

Art Fletcher will suggest Fletcher/Quern meeting with Chamber Washington Urban Affairs Representative.

7. Briefing on Revenue Sharing

Quern will invite Paul Myer to next working session to brief on Revenue Sharing.

8. Allied Services

Steve will have more detailed work prepared examining Allied Services and Joint Funding Simplification Act.

9. Tax Incentives

Quern will get further information on Administration's tax incentive proposal.

Urban Policy  
5/19/76

Art -  
good -  
let's try to  
Review this  
week, when  
we are.  
Jim

THE WHITE HOUSE

WASHINGTON

April 15, 1976

MEMORANDUM FOR: JIM CANNON  
FROM: ART QUERN ~~Art~~  
SUBJECT: Discussion Paper on Cities

It seems to me that our general discussion of urban issues has produced a number of threads of thought which are worth summarizing and pursuing.

The following brief rundown of these "threads" is offered only as a means of promoting our continued explorations of particular urban questions.

1. Private Sector Involvement

A. Corporations

-- What is it that leads a corporation to commit itself to the betterment of an urban area.

B. Banks

-- What roles do banks play in assisting urban areas to weather fiscal crisis and restore fiscal stability.

2. Expanding Revenue Base

A. Annexation

-- What are the various possibilities, advantages and disadvantages of annexation.

B. "Free trade zones"

-- Whether this concept offers any advantages to urban areas.

Did you  
want included  
in expansion  
in my? ..?



## 3. Use of Federal Funds

- We are exploring the "allied services" concept for cities to see if we can enable much greater flexibility in their use of Federal funds. In effect this is an "urban block grant" concept.

*Good Point*

## 4. Economic Development

- A. We are examining current EDA policies toward cities.
- B. We are reviewing a type of urban development bank concept.

*I'd like to see a  
definition of EDA Policy.*

## 5. Welfare Reform

- The welfare reform studies we are engaged in could offer some relief to cities.

*Right*

## 6. General Revenue Sharing

- We are monitoring the current deliberations on the Revenue Sharing issue as it relates to cities.

## 7. Gauging Fiscal Health

- A. Steve and Pat have compiled basic information on the major cities as judged by outside groups.
- B. Norm Hurd's intergovernmental finance project could assist by identifying better tools to be used in gauging fiscal conditions of cities.

## 8. Current Federal Programs

## A. HUD

- Carla Hills will be meeting with us soon to review HUD's approach to urban questions.

## B. Transportation

- Judy Hope has been reviewing "urban" questions with DOT staff.

cc: Art Fletcher  
Steve McConahey  
Pat Delaney  
Lynn May  
Allen Moore

