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Famous Fiscal Crisis Memo

Norman Krumholz

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The Famous Fiscal Crisis Memo

~~B. D. D. D.~~

~~to work~~
Got call from Pinkney as a result of this memo.

See pg. 3

CofC 125-214

CITY OF CLEVELAND
INTER-OFFICE CORRESPONDENCE

To Incoming Administration

Date November 8, 1971

From Norman Krumholz, Director
Planning Commission

Subject

There are two broad areas of policy to be formulated and implemented in the new Administration -- the City must find ways to accomplish more with what resources it now has, and it must continue its search for new revenues. It is probable that success in the latter will depend heavily upon demonstrated success in the former.

1. How can the City accomplish more with the limited resources it now has?

Answers to this question must necessarily be incomplete and sporadic. In fact, in few cases do we know what it costs the City to provide the services it does. For example, it has not been carefully brought out during the recent discussions of police patrol car maintenance backlogs that more than just police vehicles are in this condition. An important reason for this is that no information is available systematically on the age, mileage and repair costs of City vehicles. A spot check shows some vehicles in the Service Department cost about 90¢ a mile to operate and maintain -- not including depreciation! As for the police vehicles, no records are kept of mileage or maintenance costs by vehicle so that decisions might be

made as to the cause of vehicle breakdown -- is it that the car has outlived its usefulness, is the driver treating it badly, how much has it cost the City to maintain, or are City maintenance forces inefficient?

Further examples occur in the Recreation Department and in the Services Department. Nobody knows how much it costs to maintain and operate a playground or a neighborhood recreation center.

We do know how much it costs to maintain a mile of state or federal highway and this has resulted in savings due to our recent return of maintenance to the Ohio Department of Highways after discovering that our annual costs substantially exceeded the allocation for maintenance made by ODH. Kiely Cronin has also done an excellent job of cost accounting at Hopkins and his example should be followed by every department.

So much for that, though other examples abound. Suffice it to say that a great deal of the success to be expected in any cost-savings policies will depend upon getting better information on what it costs the City to provide the services it does. It is particularly important where the services provided are not at reasonable levels but the cost is still high.

The important question remains: could some of these costs be reduced, permitting savings to be used in other areas or to be used in providing higher levels of service?

There are three ways in which this can be done.

1. Cost savings or efficiencies can be recognized and introduced into department procedures.

2. A portion of our annual capital outlays may be used to make our operations more efficient, and
3. Some of the services the City now provides may be shifted to the private sector or other levels of government.

In the first case, it is already well known that certain cost savings are possible in some departments, and that these savings would not affect the current level of services. The Waste Collection and Disposal Division was apparently not seriously hurt by the recent cut-backs in personnel. With planning staff help, Commissioner Beasley had already initiated a management study (to be completed in March or April of 1972) to assist him in the design of new procedures and capital facilities which would permit the savings of millions of dollars annually or allow a wider range of clean-up services. Additional savings are still possible and specific recommendations to this end will be forwarded to City Council and the union next year. Whether they will be implemented is entirely up to the leadership and purpose of the new Mayor and leadership of Council. (Detailed memo attached).

The Police Department enjoys a \$38 million budget. It is by far the largest single cost of this City. By this token, it should rationally be the first place to look for possible cost savings. Yet obvious changes which would improve their effectiveness go to the shelf to die because of political pressure and Police Department obstinance. Example: In 1968 then Deputy Inspector Gerity produced a report to the administration recommending that 204 patrolmen be reassigned from

basically clerical positions in various divisions of the Police Department to basic patrol duty. An additional 92 patrolmen were engaged in basically "civilian" duties and could be replaced for duty on basic patrol. This recommendation was not implemented by the police chief nor did Gerity implement it subsequently as chief. In fact, this situation prevails even today. Yet this recommended reassignment could have alleviated entirely the affects of the recent cutback of 193 patrolmen in the Police Department at no cost to the City. (A copy of portions of this report are attached as Appendix A.)

The main objective in studying the Police Department, however, is not to reduce their personnel but to improve the services the present personnel provide. To that end, much is already known but little change has been possible to this date.

It is well known, for instance, that crime has a definite spatial and temporal incidence. Some areas are more liable to experience crime than others, some hours of the day and days of the week are more liable to include crime than others. But allocation of patrol cars and men has never been made this way. Thus, some patrolmen relax in comfortable areas while others have so much to do that their response time averages in the hours rather than minutes. We will need a study to recommend changes in these allocations. But even without study, it is clear that improvements in service can be made if the chief and lower supervisory personnel are willing. Example: higher supervisory personnel in the Police Department agree that it takes about five men

to man a post all day, each day of the year -- three men on eight hour shifts and two men to cover sick leaves, leave of absence, vacation, etc. If two men are assigned to each patrol zone, it should require ten men to man each patrol zone twenty-four hours a day, each day of the year. When this standard is compared to the actual assignments made, it is seen that in every case there are more patrolmen assigned than required (even after the lay-offs). Yet, it is also well-known that approximately 1,000 tours a month (one car, two patrolmen, one shift) go unmanned. Why does this happen? No wonder individuals complain about failure of police to respond to calls! This does not appear to be for want of patrolmen (if the standard used is at all valid). Rather, it appears to be a managerial and supervisory problem.

Table 1

Patrolmen Required (By Standard) vs. Patrolmen Assigned, By
District

<u>District</u>	<u>No. Zones</u>	<u>Patrolmen Required (By Standard)</u>	<u>Patrolmen Assigned Aug. 1, 1971</u>
1	11	110	129
2	11	110	127
3	15	150	189
4	18	180	192
5	16	160	193
6	<u>15</u>	<u>150</u>	<u>177</u>
	86	860	1,007

There are numerous anecdotes and additional statistical findings which suggest that considerable improvement in the services provided by the police could be realized with simple and recognized changes in procedure. Clearly we cannot hope to improve the crime prevention and law enforcement efforts of the Police Department by simply adding more men. Some fundamental changes in the operation of that Department must be made. Until then, we will continue to be, as a City with other responsibilities, a captive of that enormous -- and rising -- expenditure each year with no assurance that these costs serve a useful purpose.

A second way to introduce efficiencies into our operation is in our judicious use of capital investment. I am attaching a copy of the City Planning Commission's annual capital improvements program in which a number of issues are covered in some detail. With respect to the point at hand, it is clear to even cursory observers that City operating costs could be reduced with intelligent expenditure of capital funds. The vehicle maintenance example is a good one. It makes no sense to maintain and operate equipment past its useful years. A logical investment plan would replace motor vehicles by schedule -- so designed to reduce the strain on an operating budget of inordinate maintenance costs.

In the Waste Collection and Disposal Division, transfer stations at the right locations in the City could save the City hundreds of thousands of dollars annually in equipment repair, mileage and time of drivers. A study, now under way, will locate these stations optionally.

Similarly, in our provision of playgrounds. The use of different materials and the employment of proper design could reduce the expense of maintaining playgrounds, many of which are eyesores and a blight themselves on neighborhoods. In short, much more attention should be paid and high priority given, to those capital expenditures which reduce operating costs, or which improve services with no added burden on the operating budget.

Finally, we may reduce our costs by shifting some of our present functions either to the private sector or to other levels of government. The response of many departments to the vehicle maintenance mess in the City is to contract with private service stations or garages for maintenance. Also, much more purchasing of vehicles should be done with service contracts included. Ambulance service, now provided by the Police Department, should be contracted to a private firm, or firms. This would not only relieve the police of this time-consuming job but permit savings in the purchase of patrol cars as no first aid or life-saving equipment would be needed. Numerous other services could be provided by private firms -- probably at cost savings to the City. Other functions could be shifted to the private sector such as operation of the West Side Market. There is no longer a need for the City to operate this facility.

In summary, there are a host of changes that could be made which would have as their objective cost savings or increases in efficiency. Many of these changes have been recommended for years. More are

recognized but have not found a receptive client. Before these changes are made or well on their way it makes little sense to speak of increased revenues for the new money will go the way of the old -- to who knows where and for uncertain purposes.

A basic need in City government, in my opinion, is clear and continuing support for management and budget analysis. The Council is particularly lacking in this respect. They have often made seemingly innocent decisions without the information which makes the decision extremely important, only to concentrate for hours and days on the irrelevant but political. A wider political perspective and higher purpose could inform their decisions if they had better information on a continuing basis. The same, of course, is true of the administration but they have at least staff support (though grossly inadequate) in the Office of Budget and Management and in the Analysis Section of the Planning Commission.

Overall, of course, must be the recognition that the City budget is heavily weighted with personnel costs. Any substantial savings must be realized through personnel cuts or increases in their productivity. With cuts being difficult, if not impossible, due to unions and political pressure, increased productivity is our major recourse. Greater productivity will, however, await a major revolution in middle management personnel. In the Police Department, fully half the present force will be in line for retirement in five years. Inasmuch as many of these individuals are in supervisory or management positions the op-

portunity for change presents itself. In the other departments, the situation is not so clear. Dramatic change may not be possible, though some introduction of management training may help.

2. As to the other broad area of policy, how can the City increase its revenues?

There do not appear to be any significant new sources of revenue for the City in the immediate future. City residents will more than likely balk at new taxes -- as well they might until their confidence is restored by reasonable efficiencies in our operations. New and substantial revenues from the State seem out of the question. The federal government's proposed revenue sharing programs are at least a year away.

But until the City establishes some direction and efficiency to its expenditures, new revenues will add virtually nothing. In fact, the revenue sharing which Congress eventually agrees to will not be forthcoming in the absence of some demonstration by the City that it can reasonably manage new money. The recent grant (approximately \$2.5 million) from the Department of Labor for emergency public service employment is a good example of our inability to wisely spend new money. Prior to the passage of the emergency employment bill by Congress a subcommittee of a locally-conceived and staffed manpower planning task force had completed a meritorious analysis of public service employment and formulated its recommendations, which were passed on to the Mayor.

In the opinion of the experts on the task force, this report was outstanding and should be the guide in any local public service employment program. In the chaos and political confusion surrounding the emergency employment bill locally after its passage, the subcommittee report was completely ignored. Soon after the grant to Cleveland seemed assured, the decision was made to use at least half of any money to rehire the police who had been recently laid off. Other arbitrary decisions were made about amounts to go to waste collection, health, recreation and housing. These were arbitrary in the sense that they were in no way informed as to what the re-hired personnel would do and how would that best serve City residents' needs. Yet the patrolmen will come back to the same inefficient Department they left and an opportunity for changes in procedures will be lost. Health Department personnel will return to the same bureaucracy which could not justify their presence before the cuts. This is not an argument that the City does not need money nor personnel. It simply argues that accepting new money to hire the same personnel to do the same things has bankrupted us only recently and will only delay our ultimate bankruptcy.

In summary, and to reiterate, the crucial first step for this City is the design and implementation of efficiencies in our operation. These efficiencies, together with direction and purpose from the administration and council will permit us to legitimately request revenues from the City taxpayer as well as the federal government.