

# Did You Know? *Water Street*



## Proposed City Millage

- City Council unanimously approved a plan to place a Water Street referendum on the August 2, 2016 ballot. In essence, 2.3 mills expiring from the 2001 Local Street Program debt would be replaced with 2.3 mills to pay Water Street debt, causing no net increase in current taxes based on this referendum.
- If approved, approximately \$10,006,548 in Water Street debt payments would be funded through the millage and only \$3,485,928 would be funded by the General Fund over the next 15 years.

## Background on Water Street Debt

- The Water Street Redevelopment area is a 38-acre site acquired by the City beginning in 1997. The City financed the project through bonds and has sought developers to purchase the site. One project has been completed and the City is communicating with many other prospective developers.
- The Water Street bonds were consolidated in 2006 with debt of \$15,740,000. Including interest, the payments owed for the life of the 25 year loan totaled \$29,434,535.
- Since 2009, the City has paid \$8,761,810 on the debt, which has limited the City's ability to support police, fire, roads, parks, and other City services. Annual payments were as high as 13.8% of the City's \$10 million general fund operating budget.

## 2016 Debt Refinancing

- Beginning 2016, the City's remaining principal and interest payments were \$20,672,725, to be paid over the next 15 years.
- In the spring, the City reduced its annual payment by refinancing the bonds and making a cash payment of \$2,255,000.

## Annual Payments – Before and After Refinancing

Bond Principal & Interest Payment before refinancing:	\$1,380,000 at 6.16% interest for 15 years
Bond Principal & Interest Payment after refinancing:	\$924,500 at 3.33% interest for 15 years
Decrease in Bond Payment for FY 16-17:	\$455,500

*\*approximate figures*

## Remaining Debt

- The City's Water Street debt is now \$11,140,000; including interest, it is \$14,585,251.
- The City plans to make a second cash payment of \$700,000 in 2016, which would eliminate an additional \$73,000 per year in principal and interest payments for the next 15 years.

Managing the Water Street Debt



# Frequently Asked Questions

- **Why did the City wait until March 2016 to refinance the bonds? Why not sooner?** Refinancing before 10 years would have resulted in a substantial penalty.
- **Why didn't the City refinance or pay down more of the debt?** The City must maintain an above average cash reserve while trying to reduce the principal and interest of the debt.
- **The 2.3 mills expiring are from the 2001 Local Street Program debt, will this impact road repairs?** No. The Street Program repairs were completed over 10 years ago. The mills collected over the past 15 years were to pay off the debt.
- **What else has the City done to cut costs/raise revenue?** The City has implemented many efforts, including, but not limited to:

General Budget	Savings
Conversion of LED Streetlights	\$120,000/yr
Converted Retirees to Medicare Advantage	\$250,000
Restructured 15 officer positions (net savings of \$19,000 per officer/ per year for the first 3 years)	\$285,000
Restructured 7 firefighter positions (net savings of \$20,000 per firefighter/per year for the first 3 years)	\$140,000
New Trash Contract (5 years)	\$235,000/yr
Reduced Police/Fire Overtime	\$300,000
Converted Interior City Facility Lighting to LED	\$ 25,000/yr
General Budget	Revenue
Streetlight Special Assessment (2 years)	\$555,000
Sale of Surplus City Equipment	\$200,000
Safer Grant – Fire Personnel (2 years)	\$800,000
Sale of First Water Street Property	\$178,000
Sale of Historic House	\$120,000
Private Donations for the Heritage Bridge Project	\$100,000

- **If the millage is not approved, then what?** City Council would have to make very difficult decisions about the budget and related City services.
- **If the millage is approved, then what?** Funding for the bond payments will finally allow the City to get on even financial footing. Instead of diverting general operating dollars to pay debt, the City will be able to focus on enhancing services and investing in a strong community for all of our residents, businesses and visitors.
- **Will the 2.3 mills be used to clean up and/or develop Water Street.** No. The mills will exclusively be used to pay down the remaining debt owed by the City. Brownfield tax credits, grants, developers and other sources of funding will be used to develop the site.
- **Who should I contact with my questions or concerns?** Contact the City Manager's Office at (734) 483-1810; or contact your elected official at [www.cityofypsilanti.com/CityCouncil](http://www.cityofypsilanti.com/CityCouncil). Also feel free to complete the City's Water Street feedback survey at [www.cityofypsilanti.com/WaterStreet](http://www.cityofypsilanti.com/WaterStreet).