



**CITY OF YPSILANTI**  
Office of the City Manager

April 28, 2006

Mayor Farmer and City Council Members:

Pursuant to Section 5.02, Chapter 5, of the Charter of the City of Ypsilanti, I am presenting the City's Financial Plan for the 2006-2007 fiscal year, beginning July 1, 2006. During our annual goal setting process, City Council approved the first year of a three-year financial solvency plan that balances the general fund budget by reducing expenses to match revenues. The proposed General Fund budget coincides with year one of the Three Year Solvency Plan presented to City Council. The Solvency Plan is a response to the anticipated closing of the City's former Visteon (now Automotive Components Holdings) plant, increasing energy and health insurance costs, and stagnant state shared revenues. The Solvency Plan calls for drastically reducing City services over a three-year period in order to balance future budgets. The Solvency Plan preserves the City's ability to provide statutorily required, and operationally necessary, services while making service reductions necessary to balance the budget in other areas.

I used the analogy of frostbite in the Solvency Plan to explain our objectives and I believe it bears repeating. The proposed spending reduction strategy is similar to the reaction to frostbite. The human body deals with prolonged exposure to freezing temperatures by reducing blood flow to its extremities. This reduction in flow is done to preserve the vital organs and prevent death. The reduction in City services during the next fiscal year, and succeeding years, is comparable to the body's response to frostbite. The City will sacrifice some services each year to preserve other core services that will ensure that the community will have a viable, although limited, City government when conditions improve.

The proposed budget is balanced and anticipates \$33,000 of revenue in excess of expenses.

## FINANCIAL HIGHLIGHTS

Total Budget Revenues and Expenses: The General Fund will include \$14,556,566 in revenues and \$14,523,272 in expenses.

Tax Base: The City's tax base grew by 10.59% from \$359,195,156 to \$397,227,741 for an increase of \$37,712,659. The annual inflationary rate established by the State of Michigan through Proposal A for all residential property was 3.3%.

Tax Rate: The total tax rate for FY 06-07 is proposed to increase to 29.5299 mills. The distribution of the tax rate is different than that in FY 05-06 as indicated below:

**TAX MILLAGE LEVY  
CITY OF YPSILANTI, MICHIGAN**

	FUNDS	2005-2006	2006-2007	INCREASE (DECREASE)
GENERAL OPERATING	101	19.0211	19.0211	0.0000
POLICE & FIRE PENSION	101	2.7660	3.9850	1.2190
DEBT RETIREMENT	101	0.7131	0.2783	(0.4348)
TOTAL GENERAL FUND		22.5002	23.2844	0.7842
SANITATION	226	2.7814	2.7814	0.0000
STREET IMPROVEMENT 2001 BONDS	300	1.8513	1.7092	(0.1421)
STREET IMPROVEMENT 2003 BONDS	341	1.8972	1.7549	(0.1423)
TOTAL MILLAGE LEVIED		29.0301	29.5299	0.4998

The General Fund millage will remain at 19.0211, the Sanitation millage will also remain the same at 2.7814, the Debt Retirement millage will decrease from .7131 to .2783 and the Street Improvement 2001 and 2003 bond millages will decrease from 1.8513 to 1.7092 and from 1.8972 to 1.7549 respectively.

The Police and Fire Pension millage will increase from 2.7660 to 3.9850 to fund healthcare costs for retirees and actuarially determine pension costs.

General Fund Revenues: The total General Fund revenues are estimated at \$14,556,566 which is a 5.98% increase over the 2005-2006 revised budgets. Property taxes are expected to increase by 9.5% over 2005-2006, State Shared Revenues are anticipated to decrease by 0.1% and all other revenues will increase by 1.34%. The significant increase in property tax revenues is the result of adding Peninsular Place Apartments, Chidester, Parkview Apartments, and Forest Health Services real properties to the ad valorem tax roll for the first time. Additionally, Automotive Components Holdings (ACH) did not request a transfer of the tax abatement for the personal property formerly owned by Visteon. This resulted in removing the property from the Industrial Facilities tax roll where it was taxed at 50% of the millage rate and adding it to the ad valorem roll where it will be taxed at 100%. Peninsular Place Apartments is newly constructed property which was added to the tax roll. The Forest Health Services property, which was formerly Beyer Hospital, and tax exempt, received a Michigan Economic Growth Alliance (MEGA) five-year tax abatement, when they bought the property and that abatement has now expired. Ownership of both Chidester Place and Parkview Apartments changed and these properties were added to the ad valorem tax roll. Previously both made annual payments in lieu of taxes (PILOT). The total increase in property taxes is 4% after adjusting for these new additions to the tax roll. While this year's increase in tax revenues from these properties is significant, future revenue increases from these properties will be limited to inflation.

General Fund Expenses: Expenses are budgeted at \$14,523,272, which is 5.5% greater than the revised 2005-2006 budget. The table of general fund departments, which is listed below, shows increases and decreases by department. The primary reasons for departmental budgets increases are wages and fringe benefit costs.

<b>CITY OF YPSILANTI</b>					
<b>GENERAL FUND EXPENDITURES</b>					
<b>Fiscal Year Ending June 30:</b>					
	<b>ORIGINAL</b>	<b>AMENDED</b>	<b>PROPOSED</b>	<b>PROPOSED</b>	<b>PROPOSED</b>
	<b>BUDGET</b>	<b>BUDGET</b>	<b>BUDGET</b>	<b>06/07</b>	<b>06/07</b>
	<b>FY</b>	<b>FY</b>	<b>FY</b>	<b>MINUS</b>	<b>MINUS</b>
<b>DEPARTMENT</b>	<b>2005/06</b>	<b>2005/06</b>	<b>2006/07</b>	<b>ORIGINAL 05/06</b>	<b>AMENDED 05/06</b>
CITY COUNCIL	110,775	110,775	75,958	(34,817)	(34,817)
CITY MANAGER ADMINISTRATION	238,544	253,044	220,149	(18,395)	(32,895)
CITY MANAGER COMMUNITY SERVICE	700	600	600	(100)	-
VOTER REGISTRATION	77,688	55,283	83,723	6,035	28,440
SCHOOL ELECTION	7,742	-	7,920	178	7,920
COUNTY ELECTION	-	224	9,933	9,933	9,709
FINANCE	222,184	230,563	226,586	4,402	(3,977)
ASSESSING	124,038	124,865	128,164	4,126	3,299
ATTORNEY GENERAL LEGAL SERVICES	49,670	49,670	49,670	-	-
ATTORNEY ORDINANCE PROSECUTION	105,060	105,060	100,000	(5,060)	(5,060)
ATTORNEY LITIGATION & APPEAL	185,000	188,000	188,000	3,000	-
ATTORNEY PERSONNEL LITIGATION	62,500	62,500	75,000	12,500	12,500
CITY CLERK	153,364	169,798	171,834	18,470	2,036
HUMAN RESOURCES	157,067	177,964	190,509	33,442	12,545
FINANCE - TREASURY	251,202	253,432	264,289	13,087	10,857

DPW - BUILDING MAINTENANCE	342,532	408,469	300,536	(41,996)	(107,933)
10 SOUTH PROSPECT	-	3,000	-	-	(3,000)
SUPERIOR ROAD # 11-11-05-240-003	-	16,400	5,000	5,000	(11,400)
222 & 224 NORTH HURON	-	7,600	5,000	5,000	(2,600)
613 WEST MICHIGAN AVENUE	-	3,000	5,000	5,000	2,000
220 NORTH HURON-CITY MUSEUM	-	3,000	5,000	5,000	2,000
899 BROOKS	-	3,000	-	-	(3,000)
POLICE ADMINISTRATION	342,183	346,465	358,653	16,470	12,188
POLICE FIELD SERVICES	3,971,466	3,905,477	4,162,096	190,630	256,619
POLICE PARKING ENFORCEMENT	104,737	112,204	114,149	9,412	1,945
POLICE LAWNET GRANT (312)	23,010	23,345	24,965	1,955	1,620
POLICE LAWNET GRANT (316)	65,912	66,950	71,750	5,838	4,800
SCHOOL LIAISON CONTRACT	64,815	99,485	93,968	29,153	(5,517)
GANG RESISTANCE EDU & TRAINING GRANT	4,250	4,250	4,250	-	-
BULLET PROOF VEST GRANT	3,000	3,000	3,000	-	-
FIRE ADMINISTRATION	244,053	249,433	251,555	7,502	2,122
HOMELAND SECURITY GRANT-FIRE	6,000	6,000		(6,000)	(6,000)
FIRE SUPPRESSION	2,114,665	2,137,839	2,288,095	173,430	150,256
VACANT/ABANDONED BLDG TRAINING	-	15,779	-	-	(15,779)
ORDINANCE ENFORCEMENT	129,869	127,238	150,875	21,006	23,637
BUILDING INSPECTION	436,720	383,705	431,578	(5,142)	47,873
DPW ADMINISTRATION	373,934	401,207	383,372	9,438	(17,835)

DPW UTILITY STREET LIGHTING	405,000	445,000	455,000	50,000	10,000
RECREATION ADMINISTRATION	11,095	3,595	-	(11,095)	(3,595)
PARKRIDGE CENTER	172,480	92,702	138,765	(33,715)	46,063
RECREATION SWIMMING POOL	64,837	71,876	75,978	11,141	4,102
YPSILANTI ARE COMMUNITY FOUNDATION	-	4,500	-	-	(4,500)
RECREATION COMMUNITY FELLOWSHIP	-	7,084	-	-	(7,084)
SENIOR CENTER- CALENDAR 2005	41,181	31,145	-	(41,181)	(31,145)
SENIOR CENTER- CALENDAR 2006	-	21,263	35,538	35,538	14,275
ICE SKATING RINK- RECREATION PARK	-	1,800	2,500	2,500	700
DPW - PARKS	294,831	324,831	247,962	(46,869)	(76,869)
REC - FREIGHT HOUSE CAFÉ	-	111	-	-	(111)
CITY CLERK - MUSEUM	7,000	9,850	-	(7,000)	(9,850)
PLANNING & DEVELOPMENT - ADMIN	305,139	295,633	285,400	(19,739)	(10,233)
BONDS, INSURANCE, WORKERS COMP	762,963	757,450	769,621	6,658	12,171
DEBT ADMINISTRATION	256,155	241,436	110,779	(145,376)	(130,657)
TRANSFERS AND CONTRIBUTIONS	1,217,667	1,350,140	1,950,552	732,885	600,412
TOTAL EXPENDITURES	13,511,028	13,767,040	14,523,272	1,012,244	756,232
% OF INCREASE (DECREASE)				7.49%	5.49%

The proposed budget reduces personnel costs and subsidies for various purposes in order to match revenues and expenses. A total of 4.2 positions will be eliminated from next year's budget. The vacant Redevelopment Coordinator position will be eliminated, and the vacant Police Support Officer (PSO), Police

Records Clerk and DPW Parks Division Equipment Operator positions will not be filled. I have combined the Human Resources Director and Assistant City Manager positions (halving each) and reduced the Accounting Technician position to 32 hours per week. Subsidies for Special Events, Recreation, the Museum and Community Promotions are reduced by 50% and the contribution to the Downtown Development Authority is eliminated. The contractual cost for bus service provided by the Ann Arbor Transit Authority is reduced by one-half. The Parks budget is also reduced. The proposed budget does not include selling vacant City property as a means of balancing next year's budget. Generating revenue by selling City-owned property is not a multi-year remedy and is similar to a renter selling their furniture to pay the rent. It is a "one-time" solution to a longer term problem. However, not all of the properties proposed for sale this fiscal year may be completed and revenue will be realized next year.

Notable changes in General Fund departments unrelated to wage and fringe increases can be summarized as follows:

City Clerk Elections - Increase in temporary wage for two elections

Human Resources – Increase in contractual services for recruitment and training of employees

Treasurer – Increase in postage costs for the elections and audit fees

Fire – Increased contribution to motor pool and fire fighter training

Building/Ordinance Enforcement – Increased contribution to motor pool

Attorney – Increase in personnel litigation costs due to expiration of collective bargaining agreements

Police – Increased contribution to motor pool

DPW Parks – Reduction in salary, fringe and equipment rental

Insurance – Increased costs of liability insurance

Transfer and Contributions – Increase in retiree healthcare, contribution to land revolving for Water Street project, reduction in Ann Arbor Transportation cost

Street Lighting – Increase in utility costs

## **OTHER FUNDS**

### **Major Street (202)**

Revenues are expected to equal expenses by using \$968,966 of fund reserves to pay for Street Capital Improvement Plan adopted City Council.

### **Local Street (203)**

Revenues are expected to equal expenses by using \$123,061 of fund reserves.

### **Garbage & Rubbish Collection (226)**

Revenues are expected to equal expenses by using \$5,389 of fund reserves. These revenues and expenses were removed from the General Fund FY 2004-2005 because these activities are fund by the Solid Waste millage.

### **CDBG (252)**

Revenues are expected to exceed expenses by \$50.

### **Police Special Revenue Fund (265)**

Revenues are expected to equal expenditures. This includes a transfer of \$101,837 from drug forfeiture fund balance to pay for bullet resistant vests, self-contained breathing equipment, SRT (Special Response Team) equipment. A transfer of \$140,437 from PSAP 911 fund balance to pay for radio system upgrade, 911 maintenance, Clemis user and mobile fee.

### **Depot Town DDA (275)**

Revenues are expected to exceed expenses \$36,267.

### **General Obligation Unlimited Tax Debt Retirement Fund (300)**

Revenues are expected to equal expenses. Principal and Interest payments will be made with equivalent proceeds collected from the first half of the voter approved millage.

### **General Obligation Capital Improvement Debt (316)**

Revenues are expected to equal expenses. This fund represents the debt service for the Police and Fire parking lot.

### **General Obligation Unlimited Tax Debt Retirement Fund (341)**

Revenues are expected to equal expenses. This fund represents the debt service for the second half of the street project.

### **Water/Sewer Debt (364-366)**

Revenues are expected to exceed expenses by \$21,700. These funds are used to pay the debt for the first and second phase of water main replacement project bond issue.

**Water Supply and Sewage Disposal System Revenue Bonds (367)**

Revenues are expected to exceed expenses by \$14,000. This fund represents the Water Supply and Sewage Disposal System Revenue bonds, Series 2002 C that were issued to refund existing YCUA Water and Sewer System Limited Tax General Obligation Bonds.

**Water Supply and Sewage Disposal System Revenue Bonds (368)**

Revenues are expected to exceed expenses by \$7,775. This fund is used to refund the 1995 YCUA water and sewer bonds.

**Brownfield Redevelopment Authority (399)**

Revenues are expected to equal expenses.

**General Obligation Construction Funds (402)**

Revenues are expected to equal expenses. This fund is for the Water Street bond debt repayment.

**Land Revolving (412)**

Revenues are expected to exceed expenses by \$156,000.

**Downtown Development Authority (413)**

Revenues are expected to equal expenses by using \$80,506 of fund balance.

**Capital (414)**

Revenues are expected to exceed expenses by \$104,800. Revenues for this fund are derived from contributions from other funds. Contributions include \$5,000 from Depot Town DDA for freight house grant match (year 3 of 5), a \$25,000 grant for freight house restoration. The general fund will contribute \$258,176 for capital, capital non-equipment, computer purchases and freight house restoration (City match). The Police Special Revenue Fund will contribute \$178,037 for computer support, purchase of PSAP 911 radio system, drug forfeiture bullet resistance vest.

**EDC (415)**

Revenues are expected to exceed expenses by using \$928 of fund balance.

**Construction Funds (441-474)**

Revenues are expected to equal expenditures.

- 2003 General Obligation Bonds Construction Fund (441) – Revenues are expected to equal expenditure. Completion of the last phase of the street

paving program. In addition, new street projects were added as part of the CIP adopted by the City Council this FY 2005/06. Funding of these new street projects will come from Major Street fund if the bond funds are exhausted.

- 2003D Water Supply and Sewage Disposal System Construction Fund (469) Repayment of DWRF loan # 7122-01. Contribution to pay the debt service will come from Ypsilanti Community Utilities Authority (YCUA).
- 2003B Water and Sewer Revenue Bond Construction Fund (470) – Construction of sanitary sewer leads for new street projects as part of the CIP and pay the debt service for this bond. Contribution to pay the debt service will come from Ypsilanti Community Utilities Authority (YCUA).
- 2003C Water Supply and Sewage Disposal System Construction Fund (471) - Repayment of DWRF loan # 7112-01. Contribution to pay the debt service will come from Ypsilanti Community Utilities Authority (YCUA).
- 2004A Water and Sewer Revenue Bonds (472) – Completion of the last phase of the water and sewer program. In addition, new street projects are added as part of the CIP adopted by the council this FY 2005/06. YCUA does have some funds available that can be allocated to water and sewer capital projects when the bond funds are exhausted.
- 2004A DDA Construction Fund (473) – Last phase construction and debt repayment for the improvements of North and South Huron Parking Lots and streetscape improvements.
- 2004B Water Supply and Sewage Disposal System Revenue Bonds (474) - Repayment of DWRF loan # 7123-01. Contribution to pay the debt service will come from Ypsilanti Community Utilities Authority (YCUA).
- 2006 General Obligation Limited Taxable Capital Improvement Refunding Bonds (477) – To pay off the 2003 General Obligation Taxable Capital Improvement Fund (402) \$2,000,000; 2003B General Obligation Taxable Capital Improvement Fund (403) \$4,400,000; 2004A General Obligation Limited Taxable Capital Improvement Refunding Bonds (475) \$4,680,000; and 2004B General Obligation Limited Taxable Capital Improvement Refunding Bonds (476) \$2,020,000. The total Water Street bonds to be refunded is \$13,100,000.

#### **Sidewalk (495)**

Revenues are expected to exceed expenses by transferring \$25,000 from the Metro Act fund.

#### **Motor pool (641)**

Revenues are expected to exceed expenses by \$281,316 to cover last fiscal year's deficit.

#### **Workers' Compensation (677)**

Revenues are expected exceed expenses by \$3,648.

### **Retiree Benefits Fund (736)**

Revenues are expected to exceed expenses by \$519,000. This fund is established under Public Act 149 of 1999 to create a public employee health care fund for the accumulation and investment of assets to be used for the funding of health care benefits for eligible retirees of the City Fire and Police Retirement System (F&PRS), Municipal Employees Retirement System (MERS) and their beneficiaries who are eligible to receive health care benefits from the City. A total of \$500,000 will be transferred to this fund from the General Fund.

## **CONCLUSION**

City Council has approved the Solvency Plan, which is our financial road map for the succeeding three years. The plan makes assumptions about revenues and expenses and reduces services and employees to meet those assumptions. The proposed budget was prepared according to the Plan and the next several years will see the City work force reduced in size. The overall reduction is from 127.75 employees to 122.55. Our challenge is to prevent the City organization from becoming dysfunctional as it shrinks. City employees are stretched thin as resources have decreased over the past several years while expectations have simultaneously continued to increase. We cannot reduce staff without commensurate reductions in services. Besides reducing services, our ability to sustain new initiatives will also be curtailed. Wherever possible, the administration will seek partnerships with outside agencies and organizations that can help augment services; however, these types of partnerships require management resources and are seldom free. One positive example of a recent partnership is our collaboration with Washtenaw County to provide the City with Information Technology (IT) services. Outcomes of this partnership will be the ability to upgrade our aging computer equipment and pay for this cost over a three-year period. Another partnership worth noting is the Jaycees special event coordination.

Although the proposed budget contains employee reductions, it continues to maximize employee productivity through aggressive investments in information technology. However, no amount of technology can replace people, who have been a key to our successful redevelopment efforts. Technology cannot arrest criminals, extinguish fires or plow snow. Our employees are our most important asset and during these difficult times, we cannot afford to neglect them. We have not invested in our employees since the cutbacks began and they carry knowledge about their jobs and institutional memory about their departments that we can little afford to lose, especially now. During the past year, five

department directors left the City's employ. The proposed budget includes reviewing all non-union job positions to ensure job classifications are up-to-date and compensation is competitive.

The proposed budget also contains 50% less in subsidies to recreation facilities. New partnerships were formed to provide recreation after I announced the elimination of the Recreation Department in 2004. Since that time, volunteers have mobilized and in some instances, formed non-profits to ensure that facilities such as the Freight House will remain open to the public. Other residents have volunteered to keep Rutherford Pool open and functioning and still other residents are working to find financial solutions to keep the Senior Center and Parkridge open. These are positive developments and indicative of the community volunteerism and dedication which our residents value.

Despite the impact of the State's poor economy upon the City, and the loss of our industrial base, there are other positive developments that potentially bode well for the future of the City. City Council has selected a preferred developer to negotiate a development agreement for the important Water Street project which I anticipate will begin next fiscal year. We continue to participate in the organizations, such as the Washtenaw Metro Alliance and Michigan Suburbs Alliance, whose focus is working cooperatively to resolve mutual governmental issues. Our redevelopment efforts will continue next fiscal year as we implement the Mid-town rezoning to create stable owner occupied neighborhoods. Lastly, our commercial redevelopment status has been enhanced by our designation as one of only five cities in the state to receive Redevelopment Ready Communities designation.

The proposed Fiscal Year 2006-2007 budget is balanced and I look forward to discussing the proposed budget with the Mayor, City Council and Department Directors. I want to acknowledge the efforts of Finance Director Marilou Uy and her staff, who spent many hours preparing the budget for review and distribution. I also want to thank Robert Bruner, Assistant City Manager/Human Resource Director who served as the other member of the budget committee and the Department Directors and City employees who serve the City.

Respectfully,

Edward B. Koryzno Jr.  
City Manager

## **FY 2005-2006 BUDGET ADJUSTMENTS**

The amended 2005-2006 fiscal year expenses include an overall increase from the original adopted budget. The increase is for negotiated wages, contractual services, healthcare costs, employee recruitment, and utilities, overtime due to employee retirements, legal settlements, police department locker room improvements, equipment rental, property sale costs, public building maintenance and street lighting.

### **MAJOR AND LOCAL STREETS**

Major Streets will use \$382,313 of fund balance to balance this budget. A repayment from General Obligation Bonds Construction Fund (441) caused the deficit. The Local Street Fund will end the year with revenues equaling expenses.

### **STREET & WATER/SEWER PROJECTS**

All street and water/sewer projects are in the final phases of projects. In addition, new street projects were added and funding will come from Major street fund.

### **OTHER FUNDS**

Revenues are expected to exceed expenses by \$181,219 on the various other funds including Garbage & Rubbish Collection Fund, Community Development Block Grant Fund, Police Special Revenue Fund, Depot Town DDA Fund, Land Revolving Fund, Downtown DDA Fund, Capital Improvement Fund, Economic Development Fund, Sidewalk Improvement Fund, Motorpool Fund, Workers Compensation Fund, and Retiree Benefits Fund.