



October 5, 2011

Dear Ypsilanti Neighbors:

The city of Ypsilanti's general fund reserves will be depleted by 2015 unless drastic actions are taken. On Tuesday, October 11, City Council will chart a course to keep Ypsilanti solvent. I urge you to attend this pivotal meeting.

Final Ypsilanti Financial Goal Setting Meeting October 11, 6 p.m., Ypsilanti City Council Chambers

- Discussion of expenditure and revenue options.
- Selection of a long-term financial policy that will eliminate the projected deficit.

Interested citizens are welcome to attend. The meeting information packet can be **downloaded from the Ypsilanti city Web site.**

The information packets from the previous **August 23** and **September 27** financial goal-setting meetings are also available online. Ypsilanti's financial background and budget projections, options for City Council, and what constitute the powers of a **state-appointed emergency manager** were discussed at these meetings. As I made clear in the **September 2011 Mayor Update**, expenditure cuts alone will not balance the budget.

Falling Property Tax Revenues

Declining property values are projected to reduce general fund property tax revenues from \$6.7 million in 2010 to \$4.4 million in 2017. This 35 percent revenue decline affects funding for police and fire services as well as administrative functions at city hall. For example, if employee reductions were made to balance the general fund budget, at least 48 current employees (including police officers and firefighters) would be cut, leaving less than 25 employees in 2017. This is an untenable reduction.

Continuing Water Street Debt Payments

Until development on the Water Street property results in property tax revenues, Ypsilanti must pay the \$1.3 million annual bond out of the general fund. Under state law, City Council or a state-appointed emergency manager does not have

the power to default on this payment. State law requires these payments to be made before all other payments—including police and fire services.

Increasing Revenue

City Council has few options to increase revenue. Under state laws, major revenues for cities come from four sources: property taxes, state shared revenue, fees for services, and income taxes. The Ypsilanti general fund millage rate is at the 20 mill maximum allowed by the state constitution. State shared revenue is being decreased by the state, and fees must be no higher than the cost of services. Ypsilanti does not currently have a city income tax, but any proposed income tax must be approved by voters. In 2007, Ypsilanti voters rejected an income tax proposal by two to one.

A dedicated property tax levy to pay the Water Street bond would ease the burden on the general fund and provide more funding for police, fire, and other services. The levy can be proposed by City Council or a state-appointed emergency manager, but it must be approved by voters. Even if a Water Street bond tax levy were approved in 2013, the general fund reserves are projected to last only one additional year.

Please note that an emergency manager does not have the power to raise taxes unilaterally. Voters must approve tax increases whether they are placed on the ballot by City Council or by an emergency manager.

Charting a Course of Action

On October 11, Ypsilanti City Council will determine a course of action to keep Ypsilanti solvent. The discussion will include spending cuts and tax increases to keep our city sustainable for the long-term. **Ypsilanti City Council** and I encourage all comments and suggestions.

Best regards,
Paul Schreiber
Mayor@CityofYpsilanti.com
734.277.5446

