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CITY OF DETROIT BOND PROPOSALS -- BALLOT ISSUES -- AUGUST 4, 1992

The City of Detroit is asking voter approval to issue unlimited tax general obligation bonds to finance various new capital improvements ($135 million) and to authorize the city to levy taxes to pay the principal and interest on existing limited tax bonds for the Jefferson/Conner Redevelopment Project ($122.6 million). There are five capital improvement proposals (A, B, C, E, and F) and one refinancing proposal (D).

Capital Improvement Proposals The city prepares informational lists of projects which may be funded by the proposed bonds, but the city is under no obligation to fund those specific projects. Voter approval applies only to the general purpose described in the ballot proposal. Each proposal is voted on separately.

Proposal A is the Neighborhood Redevelopment and Economic Development Programs Proposal--$62,000,000 for project improvements to neighborhood redevelopment and housing rehabilitation programs and economic development projects:

Site Preparation-Neighborhood Shopping Centers	$ 2,000,000
Scattered Site Preparation-Housing	2,000,000
Site Preparation-New Housing Subdivisions	25,000,000
Minority and Female Business Development	51000,000
Riverfront East Acquisition	1,1000,000
Airport Waiver Removals and Enhancements	7,000,000
Job Development Activities-Section 108 Loan Repayments	12,000,000
Commercial Site Acquisition and Preparation	8,000,000
Total	$62,000,000

Proposal B is the Public Lighting Service and Extension Bonding Proposal-$28,000,000 for the purpose of improving street and alley lighting, service extensions and improvements required to supply heat, light and power:

Residential Street Lighting	$ 3,000,000
Main Street Lighting	3,000,000
Incandescent Light Replacement	1,000,000
Power Plant Improvements	4,200,000
Rusted Steel Pole Replacement	3,500,000
Environmental Remediation	3,500,000
Mistersky Power Plant Fuel Conversion Units #5 and #6	4,500,000
Traffic Signal Controller Conversion	800,000
Substation Improvements	2,500,000
Building Service Extensions	1,1000,000
Communication System Extensions	1,1000,000
Total	$28,000,000

Proposal C is the Recreation and Zoo Facilities Bonding Proposal--$19,000,000 for acquisition, construction, renovation or rehabilitation of Recreation and Zoo facilities:

Recreation:	
Neighborhood Buildings	$ 4,000,000
Neighborhood Parks and Landscapes	4,000,000
Rouge Park and Valley Improvements	2,000,000
Belle Isle Improvements	2,000,000
Riverfront Improvements	1,500,000
Land Acquisition	500,000
Sub-Total Recreation	$14,000,000
Zoo:	
Renovation and Infrastructure Improvements-Belle Isle Zoo	$ 3,900,000
Renovation and Infrastructure Improvements-Royal Oak Zoo	1,100,000
Sub-Total Zoo	$ 5,000,000
Total	$19,000,000

Proposal E is the Public Health Facilities Bonding Proposal--$6,000,000 for renovating and rehabilitating existing public health sites:

Herman Kiefer Health Complex Renovations	$ 6,000,000

Proposal F is the Museum of African American History Facilities Bonding Proposal--$20,000,000 for the purpose of site acquisition and construction.

Refinancing Jefferson/Conner Proposal D is the Jefferson/Conner (Chrysler) Redevelopment Project Bonding Proposal to increase the tax levy to pay the principal and interest on $122,605,000 of Distributable State Aid General Obligation Bonds issued in 1989 for the purpose of financing a portion of the city's required contribution to the Jefferson/Conner Redevelopment Project

The city issued $130 million in limited tax general obligation bonds in 1989 to pay a portion of the costs of the Jefferson/Conner project; $122.6 million is still outstanding. These are limited tax bonds which are being repaid out of the existing general tax funds of the city at an annual cost of $12.7 million. Proposal D would authorize the city to repay those bonds from an additional property tax levy for debt service. This refinancing was recommended by the Mayor's 21st Century Committee.

Total principal and interest over the 20-year life of the $130 million in limited tax bonds is $245.2 millions which is being paid from the general fund of the city. The annual debt service payment is $12.7 million so changing to unlimited tax debt would free up $12.7 million in general fund money. This change would increase the property tax rate in Detroit by about 2.5 mills based on a 90% collection rate.

Proposal D is unusual in that it does not request voter authorization to issue unlimited tax general obligation bonds for which property taxes can be levied outside of millage limitation to pay debt service. Rather, Proposal D requests authority to levy property taxes outside of millage limitations to pay the existing debt service on currently outstanding limited tax bonds, which debt service is now being paid from the city general fund. In effect, Proposal D is an attempt to convert the existing limited tax bonds (which were not approved by the voters) to unlimited tax bonds without actually refunding the old bonds with new voter approved bonds.

Prior to the Constitution of 1963, property tax increases to pay the debt service on bonds (except for school bond loan fund bonds) had to be approved separately from the bond issue. The Constitution of 1963 (Article 9, Section 6) provided that if the issuance of unlimited tax general obligation bonds was authorized, taxes could be levied to pay the bonds without separate voter approval. The Headlee amendment in 1978 restricted the use of unlimited taxing authority for debt service to "bonds approved by the electors." While the wording of Proposal D would appear to satisfy the intent of the Headlee amendment to secure voter approval to levy property taxes to pay debt service, it may not specifically constitute "bonds approved by the electors," for which taxes can be imposed for the payment of principal outside of millage limitations.

The Jefferson/Conner (Chrysler) project involved acquiring and preparing a 637-acre site, including demolition of structures, environmental remediation, various rail and road improvements, utility relocations, as well as payments for displacement of 854 households and 118 businesses including payment for used equipment. Of the 637 acres acquired and prepared, about 300 were to be used by Chrysler for an automotive assembly plant.

The City Council Fiscal Analyst estimated that total costs including interest would be $436 million. In addition to the $130 million of limited tax bonds, other sources of funding included: $15 million in Urban Development Action Grants; $35 million of city block grant funds; $10 million in city unlimited tax GO bonds for the ring road; $18 million of state grant; $53.5 million in Local Development Finance Authority Bonds to be repaid by the pledge of all property taxes generated in the project area; $7 million in various other revenues; Public Lighting Department utility relocations financed with unlimited tax GO bonds- Water and Sewerage Department utility relocations financed through revenue bonds; costs incurred by private utility companies with the understanding that they reserve the right to bring suit against the city for reimbursement.

Available Bond Funds While the city is requesting $135 million in new bonding authority, it currently has $139 million available from previously approved bond issues. According to a report from the City Council Fiscal Analyst dated April 20, 1992, $94.3 million from prior bond sales and accrued interest earnings is still available and unencumbered. In addition, the city has $44.8 million in voter approved bonds that have not yet been issued. The 1992-93 budget includes the sale of $22.3 million of the currently authorized bonds.

Debt Margin State law limits the amount of general obligation debt the city may have outstanding at any time. The city currently has unused debt margin for non-hospital debt (10% of SEV plus allowances for property exempted under acts 198, 255, and 228, less outstanding gross debt) of about $135 million.

If the city sells in 1992-93 deficit funding bonds of $111 million and the $22.3 million of general obligation bonds budgeted for capital projects, the debt margin will be exhausted. New general purpose debt may be issued only as old debt is retired. The proposed refinancing of the remainder of the $130 million of limited tax debt issued in 1989 will not affect the overall debt limit.

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Debt Ratios Moody's Public Finance Department publishes selected indicators of municipal performance. For 1992, the median direct net debt per capita for cities of over 500,000 population is $678. As of November 1, 1991, direct net debt per capita for Detroit was $1,044. For 1992, Moody's median ratio of direct net debt to estimated full value of taxable property in cities of over 500,000 population was 1.4%. According to a city bond prospectus dated November 1991, the ratio of direct net debt to the estimated full value of taxable property in Detroit was 9.5%.