


David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Senior City Planner
Janese Chapman
Deputy Director

John Alexander
LaKisha Barclift, Esq.
M. Rory Bolger, Ph.D., AICP
Elizabeth Cabot, Esq.
Tasha Cowen
Richard Drumb
George Etheridge
Deborah Goldstein

City of Detroit
CITY COUNCIL
LEGISLATIVE POLICY DIVISION
208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Phone: (313) 224-4946 Fax: (313) 224-4336

Christopher Gulock, AICP
Derrick Headd
Marcel Hurt, Esq.
Kimani Jeffrey
Anne Marie Langan
Jamie Murphy
Carolyn Nelson
Kim Newby
Analine Powers, Ph.D.
Jennifer Reinhardt
Sabrina Shockley
Thomas Stephens, Esq.
David Teeter
Theresa Thomas
Kathryn Lynch Underwood
Ashley A. Wilson

TO: The Honorable City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: March 12, 2020

RE: 2020-2021 Capital Improvement Budget

Attached is the Mayor's Recommended City Capital Improvement Plan for FY 20 and the FY 21-24 four-year plan as found in the Executive Budget.

The attached pages show a complete current picture of capital projects and the various streams of funding – Street Fund, Federal Grants, Revenue Operations, General Obligation Bonds and General Fund Balance (surplus).

The largest and consistent funding sources through the four-year plan are Street Fund (DPW), Federal Grants (DDOT) and Revenue Operations (DWSD).

It is anticipated that the Administration plans to sell an additional \$80 million in spring of 2020 and are included in the FY 2020 Amended Budget column.

Question for the OCFO - With \$80 million projected to be sold in 2020, what is anticipated to be sold in 2021? Last year the total for both 2020 and 2021 was \$126 million, is that still the targeted total?

Surpluses are also not used in outlying years, since the year-end surplus is not recognized at this point.

While questions for specific planned projects can be best answered by the departments, we would ask the OCFO to provide Council with an updated reconciliation of 2019 and 2020 projects both completed and in process from both the Unlimited and General Obligation Bond Funds as well as the Quality of Life Funds.

Attachments (4)

cc: David Massaron, Chief Financial Officer
John Naglick, Finance Director
Tanya Stoudemire, Budget Director
Stephanie Washington, Mayor's Office

**CITY OF DETROIT
FY20 BUDGET AND FY21-24 FOUR-YEAR PLAN
GENERAL CITY CAPITAL IMPROVEMENTS**

	FY2020 Adopted Budget	FY2020 Amended Budget ¹	FY20-21 Recommend Budget	FY21-22 Forecast Budget	FY22-23 Forecast Budget	FY23-24 Forecast Budget	Four-Year Plan Total
Charles H. Wright Museum							
Capital Improvements to Museum	-	2,500,000	-	-	-	-	-
Total Charles H. Wright Museum	-	2,500,000	-	-	-	-	-
Detroit Historical Museum							
Capital Improvements to Museum	-	2,500,000	-	-	-	-	-
Total City Clerk	-	2,500,000	-	-	-	-	-
Office of the Chief Financial Officer							
Office of Budget - Laptops/Computers	5,000	-	-	-	-	-	-
Contracting & Procurement - Laptops/Computers	17,500	-	-	-	-	-	-
Financial Planning & Analysis - Laptops/Computers	5,000	-	-	-	-	-	-
Total OCFD	27,500	-	-	-	-	-	-
City Clerk							
E-Scribe Software	99,000	-	-	-	-	-	-
Total City Clerk	99,000	-	-	-	-	-	-
CRIO							
Case management software	78,000	-	-	-	-	-	-
Total CRIO	78,000	-	-	-	-	-	-
Department of Appeals & Hearings							
Document scanning/new e-filing system	150,000	-	-	-	-	-	-
Software suite for document scanning	35,539	-	-	-	-	-	-
Total DAH	185,539	-	-	-	-	-	-
Department of Innovation & Technology							
Enterprise Asset Management System	2,250,000	-	-	-	-	-	-
Enterprise Document Management System	1,500,000	-	-	-	-	-	-
Network Infrastructure & Security Improvements	2,000,000	-	-	-	-	-	-
Technology Upgrades & Additions - Public Safety	-	8,174,255	-	-	-	-	-
Technology Upgrades & Additions - PCs & Laptops	880,000	-	-	-	-	-	-
Total DoIT	6,630,000	8,174,255	-	-	-	-	-
Elections Department							
ReliaVote system for absentee voting	235,414	-	-	-	-	-	-
Konnect Poll Chief Software	145,672	-	-	-	-	-	-
Tablets	113,000	-	-	-	-	-	-
Total Elections	494,086	-	-	-	-	-	-
Fire Department							
Fire Facilities Capital Improvements	-	3,000,000	-	-	-	-	-
Fire Inventory Management System	-	500,000	-	-	-	-	-
Total Fire	-	3,500,000	-	-	-	-	-
Fleet Management							
General City Fleet Replacement	8,914,305	-	4,500,000	-	-	-	4,500,000
Health Fleet Replacement	-	220,000	-	-	-	-	-
Police Fleet Replacement	-	6,650,000	-	-	-	-	-
Fire Fleet Replacement	-	6,255,745	-	-	-	-	-
Total Fleet Management	8,914,305	13,125,745	4,500,000	-	-	-	4,500,000

**CITY OF DETROIT
FY20 BUDGET AND FY21-24 FOUR-YEAR PLAN
GENERAL CITY CAPITAL IMPROVEMENTS
(Continued)**

	FY2020 Adopted Budget	FY2020 Amended Budget¹	FY20-21 Recommend Budget	FY21-22 Forecast Budget	FY22-23 Forecast Budget	FY23-24 Forecast Budget	Four-Year Plan Total
General Services Department							
Recreation Facilities Improvements	-	5,300,000	-	-	-	-	-
City Park Improvements	-	8,300,000	-	-	-	-	-
Joe Louis Greenway - Segment 1	-	20,000,000	-	-	-	-	-
Office of Sustainability - Utility Bill Mgmt Software	1,265,000	-	-	-	-	-	-
Total GSD	1,265,000	33,600,000	-	-	-	-	-
Health Department							
Ultrasound Machine & Clinic Furniture	9,000	-	-	-	-	-	-
Sword Solutions Software	3,000	-	-	-	-	-	-
Computers & Equipment for New Staff	8,000	-	-	-	-	-	-
Computers, Tablets, & Inspection materials	15,070	-	-	-	-	-	-
Tablets & Clinical Furniture for Health locations	260,000	-	-	-	-	-	-
Total Health	295,070	-	-	-	-	-	-
Housing & Revitalization Department							
Laptops	7,000	-	-	-	-	-	-
Total HRD	7,000	-	-	-	-	-	-
Human Resources Department							
Laptops	5,000	-	-	-	-	-	-
Total Human Resources	5,000	-	-	-	-	-	-
Law Department							
Computers & Laptops for New Staff	33,000	-	-	-	-	-	-
Total Law	33,000	-	-	-	-	-	-
Mayor's Office							
Computers & Laptops for New Staff	10,000	-	-	-	-	-	-
Total Mayor's Office	10,000	-	-	-	-	-	-
Municipal Parking Department							
Garage & Meter Maintenance & Repairs	5,000,000	-	-	-	-	-	-
Lighting Towers for JLA	54,000	-	-	-	-	-	-
Video Cameras & Equipment	2,500	-	-	-	-	-	-
Total Parking	5,056,500	-	-	-	-	-	-
Non-Departmental							
Land Acquisition for Economic Development	7,500,000	-	-	-	-	-	-
Total Non-Departmental	7,500,000	-	-	-	-	-	-
Planning & Development							
Neighborhood Studies & Implementation	2,500,000	-	500,000	-	-	-	500,000
Total Planning & Development	2,500,000	-	500,000	-	-	-	500,000

**CITY OF DETROIT
FY20 BUDGET AND FY21-24 FOUR-YEAR PLAN
GENERAL CITY CAPITAL IMPROVEMENTS
(Continued)**

	FY2020 Adopted Budget	FY2020 Amended Budget ¹	FY20-21 Recommend Budget	FY21-22 Forecast Budget	FY22-23 Forecast Budget	FY23-24 Forecast Budget	Four-Year Plan Total
Police							
Police Lease Elimination Plan	-	3,200,000	-	-	-	-	-
Police Facilities Capital Improvements	-	7,700,000	-	-	-	-	-
Bulletproof Vest Replacement	-	700,000	-	-	-	-	-
Total Police	-	11,600,000	-	-	-	-	-

Department of Public Works							
Equipment	1,500,000	1,500,000	2,067,000	1,500,000	1,500,000	1,500,000	6,567,000
Highway Bridges	3,458,450	3,458,450	-	-	-	-	-
Bridge Improvements	500,000	500,000	-	-	-	-	-
Road & Bridge Repair, Resurfacing, & Reconstruction	30,369,697	30,369,697	24,250,000	24,735,000	25,229,700	25,734,294	99,948,994
Trunkline Improvements	1,962,478	1,962,478	-	-	-	-	-
Greenways, Mobility, & Sidewalks	-	-	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Traffic Control Improvements	2,050,000	2,050,000	1,181,040	2,050,000	2,091,000	2,132,820	7,454,860
Traffic Control Roadways - Federal & State Grants	14,050,000	14,050,000	14,331,000	14,331,000	14,617,000	14,909,340	58,188,340
Debt Service	3,160,973	3,160,973	13,828,912	12,998,855	12,998,855	12,998,855	52,825,477
Total DPW	57,051,598	57,051,598	57,657,952	57,614,855	58,436,555	59,275,309	232,984,671

Total General City Agencies	90,151,598	132,051,598	62,657,952	57,614,855	58,436,555	59,275,309	237,984,671
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¹The only amendment included in the FY2020 Amended Capital Budget is the \$80 million anticipated in Spring 2020 from the second UT00 bond series.

Road Bond Projects					
Project	Project Budget	Projected Spend by 6/31/2020	FY21 Projected Spend	FY22 Projected Spend	FY23 Projected Spend
Streetscapes	80,000,000	62,899,200	17,100,800	-	-
Sidewalk Repair & Replacement	20,000,000	20,000,000	-	-	-
Road Improvement	23,764,555	23,764,555	-	-	-
Bond Sale Expenses	735,445	735,445	-	-	-
Total	124,500,000	107,399,200	17,100,800	-	-

**CITY OF DETROIT
FY20 BUDGET AND FY21-24 FOUR-YEAR PLAN
ENTERPRISE AGENCIES CAPITAL IMPROVEMENTS**

	FY2020 Adopted Budget	FY2020 Amended Budget ¹	FY20-21 Recommend Budget	FY21-22 Forecast Budget	FY22-23 Forecast Budget	FY23-24 Forecast Budget	Four-Year Plan Total
Department of Transportation							
Coolidge Facility Rebuild - Federal/State Funding	20,000,000	5,000,000	25,000,000	27,000,000	30,000,000	8,000,000	90,000,000
Coolidge Facility Rebuild - City Funding	-	5,000,000	-	-	5,000,000	-	5,000,000
Fixed-Route Vehicle Replacement/Expansion	26,900,000	-	25,965,000	-	21,305,000	-	47,270,000
Non-Revenue Vehicle Replacement/Expansion	500,000	-	500,000	500,000	500,000	500,000	2,000,000
Mid-life Vehicle Acquisition/Overhaul	6,000,000	-	6,000,000	6,000,000	6,000,000	6,000,000	24,000,000
Facility Improvements	1,000,000	-	1,000,000	1,000,000	500,000	500,000	3,000,000
Information Technology	5,144,320	-	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Operations Equipment	491,376	-	491,376	472,946	182,903	182,903	1,330,128
Total DDoT	60,035,696	10,000,000	59,956,376	35,972,946	64,487,903	16,182,903	176,600,128

Water & Sewerage Department - Retail²

Water							
Water Field Services	52,219,000	-	41,984,000	15,238,000	14,000,000	-	71,222,000
Metering	12,000,000	-	12,000,000	4,000,000	4,000,000	-	20,000,000
General Purpose	6,695,000	-	4,140,000	2,795,000	-	-	6,935,000
Water Central Services: Fleet	2,432,000	-	2,000,000	2,000,000	2,000,000	-	6,000,000
Water Central Services: Facilities	4,602,000	-	2,000,000	2,000,000	2,000,000	-	6,000,000
Water Central Services: Information Technology	5,316,000	-	3,287,000	1,788,000	1,618,000	-	6,693,000
Water Subtotal	83,264,000	-	65,411,000	27,821,000	23,618,000	-	116,850,000

Sewerage							
Sewer Field Services	35,063,000	-	25,363,000	-	-	-	25,363,000
Green Infrastructure	10,195,000	-	12,880,000	10,373,000	3,933,000	-	27,186,000
General Purpose	6,695,000	-	4,140,000	2,795,000	-	-	6,935,000
Sewer Central Services: Fleet	2,432,000	-	2,000,000	2,000,000	2,000,000	-	6,000,000
Sewer Central Services: Facilities	4,602,000	-	2,000,000	2,000,000	2,000,000	-	6,000,000
Sewer Central Services: Information Technology	5,316,000	-	3,287,000	1,788,000	1,618,000	-	6,693,000
Sewerage Subtotal	64,303,000	-	49,670,000	18,956,000	9,551,000	-	78,177,000

Water & Sewerage Total	147,567,000	-	115,081,000	46,777,000	33,169,000	-	195,027,000
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Total Enterprise Agencies	207,602,696	10,000,000	175,037,376	82,749,946	97,656,903	16,182,903	371,627,128
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¹The only amendment included in the FY2020 Amended Capital Budget is the \$80 million anticipated in Spring 2020 from the second UTGO bond series.

²DWSD capital amounts will not match placeholder used for legal budget.

Grand Total - General City & Enterprise Agencies	297,754,294	142,051,598	237,695,328	140,364,801	156,093,458	75,458,212	609,611,799
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CITY OF DETROIT CAPITAL PLAN

INTRODUCTION

Over the past five years, the City has made major capital investments to return City services to levels Detroiters expect and deserve. During this time, we have installed 65,000 new LED streetlights, demolished 15,000 dangerous vacant houses, added 120 buses to improve transportation service, replaced public safety vehicles to reduce Police and EMS response times, and renovated over 60 parks.

Over the last year, thanks to the City's return to the bond market on its own credit in late 2018, we have been able to make ambitious capital investments. During Fiscal Years 2021-2024, this plan demonstrates continued investments to improve the City's critical infrastructure, expand economic growth and opportunity, and continue to revitalize our neighborhoods. Our strong public-private partnerships will continue to create unprecedented financial impact, with programs like the Strategic Neighborhood Fund and the Affordable Housing Leverage Fund creating over \$1 billion dollars in investments in our neighborhoods.

FY21-FY24 EXPENDITURES

The City of Detroit is responsible for maintaining a large inventory of capital assets, including roads, parks, public safety facilities and municipal buildings, libraries, water and sewerage infrastructure, and a fleet of over 2,000 vehicles. Capital investments by the City enhance our neighborhoods, strengthen public safety, improve citizen mobility, and elevate the quality of life in our city.

These investments are aligned with both the five-year Capital Agenda's specific goals and with its broad strategy of rebuilding population density in Detroit by increasing support for the existing population while also attracting new residents and businesses into thriving neighborhoods. This Capital Plan also reflects an additional \$80 million anticipated in the spring of 2020 from the issuance of the City's second bond series.

In addition to the projects outlined in this plan, a large number of projects begun with the first series of UTGO bonds issued in FY19 will be completed over the course of FY21. In keeping with our capital budgeting policies, the funds for these projects will be balanced forward and spent down.

The City's capital plan has been restructured to align capital investments with the City Strategic Priorities that guide our new method of outcome budgeting. These priorities are:

- Increased Economic Opportunity and Reduced Poverty
- Improved Public Safety
- A More Vibrant and Beautiful City
- Strengthened City Services
- Effective Governance

Many of the City's capital investments will fall into multiple Strategic Priorities. For example, while a new greenway undoubtedly makes the City more vibrant and beautiful, it also creates new mobility options and increases economic opportunity for residents who do not drive and who can now more safely and efficiently bike, scooter, or walk to work.

Housing & Economic Opportunity

Housing and increased economic opportunity are the most exciting parts of our Capital Plan. Although the funding discussed in this section does not appear directly in the City's budget or the table at the end of this section, it is held by fiduciary organizations for the exclusive use by the City to implement the Strategic Neighborhood Fund (SNF) and the Affordable Housing Leverage Fund (AHLF). These funds are a critical component of the Capital Plan.

SNF and AHLF neighborhoods will be marked by design excellence and a variety of choice—in housing, in recreational assets, and in amenities. The Housing & Revitalization Department, in partnership with the Michigan Local Initiatives Support Corporation and Invest Detroit are revitalizing neighborhoods through the restoration of existing properties and with newly built single- and multi-family homes. The City is committed to preserving all regulated affordable housing units and to ensure that wherever growth occurs it increases inclusion and reduces segregation. There will be mixed income and affordable housing throughout the City, ensuring that those who have remained in Detroit benefit from its resurgence.

SNF Phase 1 funding commitments totaled \$42 million (\$26 million in public subsidy) for three Detroit neighborhoods: Islandview/Greater Villages, Vernor/Southwest and Livernois/McNichols. SNF Phase 2 remains on track to raise \$130 million for projects across seven neighborhoods: Grand River/Northwest, Warrendale/Cody Rouge, Russell Woods/Nardin Park, Campau/Banglatown, Gratiot/Seven Mile, East Warren/Cadieux, and Jefferson Chalmers. These philanthropic commitments will allow the Funds to leverage \$628 million in private capital, \$150 million in low-cost capital, and \$124 million in federal and state grants, for a total of \$1.1 billion dollars in neighborhood investments.

The AHLF is a tool established to achieve the goals of the City's multifamily housing strategy to preserve 10,000 existing affordable housing units and create 2,000 new affordable housing units.

The total affordable housing investment identified in the plan is projected at \$765 million in private equity, conventional debt, low-income housing tax credits/Michigan State Housing Department Authority equity, and \$250 million from the AHLF itself.

The City's successful partnerships with private entities will continue to be a critical component of our neighborhood-focused economic development effort through the four-year capital plan period. Our most notable accomplishments in this area are of course the redevelopment of the Michigan Central Station and its surrounding area by the Ford Motor Company for use as its tech innovation campus and the expansion of FCA's Mack Avenue Engine Complex and Jefferson North Assembly Plant. The total investment in the Michigan Central development will be approximately \$740 million, as well as an additional \$10 million invested in the Corktown neighborhood through a Community Benefits Agreement. The project will create 2,500 direct, permanent jobs, 2,500 indirect jobs in Ford facilities, and 2,000 construction jobs. The total investment in the FCA plants will be approximately \$2.5 billion, including \$35 million in community benefit investments. The FCA expansion will result in not just 4,000 new jobs, but 4,000 new jobs for which Detroiters are given priority.

A More Vibrant & Beautiful City

The Capital Plan reflects the need to focus public infrastructure investment where it will create the greatest return: supporting the existing population and attracting new residents and businesses into revitalized neighborhoods. The City plans to continue developing and implementing projects that foster vibrant, inclusive neighborhoods across the City of Detroit.

In the most recent Capital Agenda, the City laid out a plan to make transformative investments into recreational assets. Parks across the city will continue to receive substantial investments, and in some cases expansions, with modern play equipment, safe walking paths, ample lighting, and inviting landscaping. Many parks have been designated as soccer hubs and will be upgraded to provide plenty of field space for Detroiters of all ages to master the skills of one of our most popular sports. Parks improvements will continue to be made with extensive consultation with the residents impacted by that park and its amenities. The City's commitment to open, inclusive, and accessible spaces that meet the diverse needs of residents of all ages remains strong.

Our recreation centers will continue to be modernized and improved to allow for the ongoing expansion of programs, including the addition of mini-libraries. Recreation centers are the heart of many of our communities and provide not only recreational programming but also educational and skill development programs. They serve as a safe space either before or after school for many young Detroiters. So whether a resident seeks to use the internet to apply for a job, take a dance class, join a book club, or do all three, our recreation centers will continue to deliver.

Through extensive community engagement, the City has identified areas that can be transformed into greenways to connect the City's neighborhoods to each other and to downtown and riverfront amenities. The first three mile segment of the Joe Louis Greenway will break ground on the autumn of 2020 and, when complete, will form a 32 mile loop connecting City neighborhoods, four neighboring cities, and even provide an international path to Canada. By providing many methods of mobility, especially non-motorized methods via greenways, trails, and protected bike lanes, barriers to access to City amenities and employment opportunities will be substantially lowered.

The Capital Plan anticipates investments at two of our cultural treasures: the Charles H. Wright Museum of African American History and the Detroit Historical Museum. These capital improvements will allow the museums to continue their ongoing campaigns to modernize their facilities and create welcoming, inclusive, accessible spaces to tell the stories of Detroit and its residents.

One of the strongest drivers of success is the availability of inclusive, exciting, and safe parks, recreation centers, and cultural assets. This Capital Plan continues to implement investments that will shape Detroit's recreational and cultural landscape for generations to come.

Improved Public Safety & Health

To continue promoting positive health outcomes in our community, the Capital Plan continues improvements to our health clinics and mobile health clinics to create modern health provision centers with even more services. The mobile clinic fleet will visit our neighborhoods and provide critical services like immunizations, STI testing and prevention, unintended pregnancy prevention, WIC enrollment, blood lead testing, needs assessments, and many other services in conjunction with community partners who work to help reduce infant mortality, drug abuse, and chronic disease.

Our Police and Fire Departments will continue to receive substantial capital investments in vehicles, information technology, and facility improvements. The completion of the City's fleet replacement plan in the four-year period of this plan will see the entire Police and Fire fleets within an industry standard lifecycle. A modernized and optimized public safety fleet will ensure that police officers and firefighters are able to swiftly and reliably protect the public. The replacement of the City's fire fighting fleet will ensure that we maintain our top-tier ISO certification and keep property insurance rates lower.

Public safety information technology will continue to undergo the massive modernization and replacement campaign begun during FY20. Everything from body cameras to servers, in-vehicle laptops to secured fiber optic cable between public safety facilities is targeted for investment. New atmospheric monitoring devices will allow our firefighters to work safely inside burning

structures with reduced risk of exposure to noxious and harmful gases. Our Police Department will receive drones that will allow them to look around and inside structures during low visibility or high risk situations without putting themselves in unnecessary danger.

The City's firehouse improvement campaign will be completed during this four-year plan period, ensuring that all of our firehouses are at a state of good repair. These improvements allow our firefighters to operate effectively and safely within the buildings that often serve as their homes for many long shifts. Police precincts will continue to undergo the repairs and improvements that began at the start of FY19; the anticipated second bond series in the first half of 2020 will allow this investment campaign to ramp up. Additionally, the Police Department will complete the lease consolidation initiative started in FY 2019 that will see the department move out of two leased buildings into a single city-owned facility. This will allow the City to save funds on lease costs while simultaneously providing the Police Department sufficient new space to fully operate a number of policing units.

Finally, improvements will continue at the City's Animal Care & Control building, allowing for the care of more animals in clean and humane conditions. The City remains committed to ensuring that all animals that come into its care receive quality, respectful attention.

Strengthened City Services

Investment in roads, transit, and sidewalks is critical, especially in a city as large as Detroit. This Capital Plan provides for the City's continuing transformational investment into our roads and transportation infrastructure. We seek to create a reliable transportation system that connects our residents and neighborhoods, improves public safety, creates economic opportunity, and contributes to the reduction of poverty.

Roads, sidewalks, bridges, and streetscapes will receive nearly \$200 million in improvements over the course of this plan. Road quality reports and accident data will drive the investment into our road resurfacing and replacement program, along with investments into traffic control and calming efforts. City sidewalks will be replaced where needed and efforts to make our sidewalks and roadways fully ADA compliant will continue with the ongoing installation of ramps and curb cuts. The rollout of more protected bike lanes citywide will ensure sufficient access to safe, non-motorized forms of transportation.

Our public transit system is a critical component of our local economy, enabling thousands of people to move about the city every day. This four-year plan envisions an investment of nearly \$177 million into our public transit infrastructure. The biggest and most impactful project is the complete rebuild of the Department of Transportation's Coolidge facility which will serve as the new central repair and maintenance center for the City's fleet of buses. This will ensure that our

buses are maintained in top condition and are running reliably around the clock.

The bus fleet will also continue to be modernized and expanded over the plan period, allowing for the continued establishment of more 24-hour routes and increased bus frequency. Technology improvements in the transit system will allow riders to enjoy Wi-Fi on our buses, check the status of the next bus, and easily engage with an online customer service portal. Finally, continued improvements to our bus shelters will provide lighting and phone charging plugs and will give riders a safe and comfortable place to wait for their bus.

Effective Governance

Technological advancement waits for no one and the City of Detroit plans to stay at the forefront of technological innovations that will bring the most effective services to our residents and improve the efficiency of government.

Investments in technology will include fundamentals like new computers and server hardware, faster network switches, and advanced cloud solutions. The City's Department of Innovation and Technology will continue rolling out new enterprise software solutions such as an Enterprise Asset Management system, which will track all City-owned assets, their conditions, and the amount of investment made into them; an Enterprise Document Management system, which will convert many of the City's currently paper-based functions into an instantaneous digital system; an Enterprise Records Management system, to properly retain records subject to numerous retention schedules and make the retrieval of records smooth and quick; and an enterprise solution for tracking and managing the City's utility expenses.

Bringing assets critical to city government operations into a state of good repair continues to be a high priority in the City's capital strategy. Along with the public safety fleet, the general city fleet will be replaced and rightsized over the course of this capital plan period. City vehicles will be put into a standard operational life of five years with the goal of replacement at that time and not later. Revenues from the sale of these relatively newer vehicles will be used to continue the replacement cycle.

The Detroit Water and Sewerage Department (DWSD) will continue implementing its \$552 million capital improvement plan over the next four years. The investments into the City's water and sewerage infrastructure will continue the City's goal of delivering safe and cost effective water and sewerage services. In furtherance of our mission to put health and safety in water delivery first, the water main replacement projects will also involve the replacement of lead service lines. Additional DWSD capital investments include water meter replacements citywide, replacement of fire hydrants, the rehabilitation of the sewerage and stormwater infrastructure, and flood control measures along the riverfront.

Investments into the City service yards begun in FY19 will continue through the early years of this capital plan. These service yards are the hubs of City service provision, with fleet repair facilities, salt domes, and storage of heavy equipment like salt trucks, plows, dump trucks, and construction equipment. The City will also begin the process of consolidating a number of our service yards and garages into one centralized, more cost effective location.

FINANCING THE FY21-24 CAPITAL PLAN

The City annually implements its Capital Plan by appropriating funds for capital projects through the budget development process. The Plan is primarily financed with UTGO bond proceeds and supplemented by prior years' surplus, state and federal funds, and private grants.

During FY19, the City issued UTGO bonds in the amount of \$136.6 million on its own full faith and credit for the first time since our bankruptcy. During FY20, the City will issue a second series of UTGO bonds totaling \$80 million. These two bond series form the largest portion of the City's capital funding in the FY21-24 Capital Plan.

The City does not budget the annual surplus in the same year it is realized, but waits until it is recognized, via the annual audit, and treats it as unassigned fund balance to be allocated among the competing one-time spending needs. For FY20, the City set aside \$33.1 million in unassigned fund balance to support capital projects but will allocate only \$5 million in FY21, because the City has reentered the bond market and does not need to continue utilizing so much of our annual surplus for capital expenditures.

Debt Financing

With our reentrance into the bond markets, City capital investments will be financed primarily through long-term debt. Long-term debt related to capital investment has two main purposes:

- (1) It finances acquisition, construction, repair, and renovation of City-owned buildings and equipment that are necessary to provide public services; and
- (2) It finances infrastructure improvements to ensure the City's continued growth

The City adheres to a Debt Issuance and Management Policy (CFO Directive No. 2018-101-007) that established the conditions for issuing debt and the management of such debt. The City's policy is to utilize long-term debt for capital purposes. However, the policy provides that short-term debt may be used for certain types of projects, financing of equipment and vehicles, and, in rare cases, operations.

The City reentered the capital markets with a new General Obligation bond debt issuance in late 2018 for capital purposes. The City has achieved four consecutive years of balanced budgets and

operating surpluses since FY15 and has also received two credit rating upgrades. The City's credit ratings with Moody's and S&P are currently Ba3 and BB-, respectively.

The new bond issuance entailed the sale of Unlimited Tax General Obligation (UTGO) bonds issued on the full faith and credit of the City. UTGO bonds are an important method for funding our capital priorities, because they allow the City to begin funding projects that previously would have required the use of General Fund surpluses. This allows the City's surpluses to be utilized more effectively for operating needs and for important financial planning strategies like contributions to the Budget Reserve and to the Retiree Protection Fund for the City's pensions.

Authorization for these new bonds was previously obtained from the citizens of Detroit. The City originally had \$286 million in voter-approved, unissued UTGO authority. The City Council has authorized the issuance of \$255 million in UTGO bonds, though the capital plan currently envisions an immediate need of \$235 million for projects in the plan period. The City does not plan to issue short-term taxable debt at this time.

It is anticipated that the City will seek additional UTGO voter authorization during this capital plan period.

UTGO debt is repaid from a dedicated debt service millage. State law allows the City to levy a debt service millage on certain real and personal property to meet annual interest and principal obligations. The City's historical debt service millage ranged from 7.0753 mills in FY06 to 9.82 mills in FY15. The current Debt Service millage is 9.0 mills. Due to the City's extended absence from capital markets until FY18, the outstanding UTGO debt service is scheduled to decline substantially over the next several years. This afforded the City an opportunity to increase its UTGO debt and remain within its historical millage levels. The City sold \$135 million in UTGO debt in FY19 and anticipates selling an additional \$80 million in the current fiscal year. These bond sales are not expected to increase the current debt service millage.

Prior to reentering the bond market on its own credit, Detroit had access to the credit markets through the Michigan Financing Authority, as evidenced by both the exit financing and the refinancing of limited State-revenue supported bonds (a limited type of credit). On November 16, 2017, the Michigan Finance Authority issued \$124.5 million in revenue bonds on behalf of the City for major and local street improvements. The source of repayment for these bonds is the annual allocation of gas and weight tax funds to the City through Act 51. The total principal outstanding to date is \$90 million. On December 13, 2018, the City issued \$176 million in refunding bonds to purchase prior financial recovery bonds at a discount in order to reduce gross debt service in future years and achieve present value savings. In 2019, to support the demolition of the Joe Louis Arena, the City issue \$10 million in capital improvement bonds of which \$4.2 million has been drawn down to date. The due date for the final drawdown is June 30, 2020.

On March 14, 2018, the City fully redeemed its outstanding C Note Limited Tax General Obligation (LTGO) bonds. This debt was redeemed utilizing General Fund surpluses and proceeds from the sale of the Premier Garage, as required for redemption of the bonds. Redemption of this debt allows the City to fund other operating needs and additional capital projects.

Other City-related entities that have active debt issuance programs are the Public Lighting Authority (PLA) and the Detroit Water and Sewage Department (DWSD).

In June 2014, the Michigan Finance Authority issued \$185.7 million in revenue bonds for street lighting infrastructure improvements on behalf of the PLA. These bonds are secured by a first lien on certain of the City's Utility Users' Taxes (\$12.5 million annually, until repayment) as authorized under Public Act 393 of 2012.

DWSD uses debt financing, repaid by revenues from rate payers, to support its ongoing capital improvement program. The DWSD Capital Improvement Plan is subject to approval by the Board of Water Commissioners. The Great Lakes Water Authority issues bonds on behalf of DWSD to fund the DWSD capital plan projects.

External Sources

As is the case with other cities, Detroit receives revenue transfers, through grants and aid, from the Federal and State government. Often that money compensates for required investments, improvements, and regulations imposed or mandated by them. Detroit also receives a substantial amount funding each year via grant awards from private sector entities such as foundations and corporations.

Intergovernmental Grants & Aid

The City receives a number of categorical, matching and formula-driven grants; many are used for operating purposes, some are for capital projects. Federal aid can flow directly to the city of Detroit; some gets passed through various State of Michigan departments. Large capital grants coming to Detroit are for transportation, streets, roads and traffic signals, tree removal, private and public housing, safety and security equipment, and community development.

Philanthropy

The City continues to be successful in seeking grant awards from a variety of foundations and corporate sources. These grants have funded park improvements and other open space initiatives. Additionally, public-private partnerships have been utilized for neighborhood revitalization, economic development, housing, planning, transit, public safety, health, and

workforce development initiatives. In FY21, the City will continue to leveraging its UTGO bond proceeds to bring greater philanthropic investment into Detroit's neighborhoods.

CAPITAL PLANNING PROCESS

The capital planning process begins with a project submission period during which all departments have an opportunity to identify their facility, equipment, infrastructure, and planning needs in a systematic, prioritized manner, and to submit their capital investment proposals for funding consideration. Departments may utilize both internal assessments and external constituent requests to develop their capital improvement projects. Project requests must include costs estimates, a description of the proposed scope of work, and any other requested information to help City officials conduct their respective evaluations. A final evaluation of the projects will be conducted by the Office of the Mayor to ensure alignment with the City Strategic Priorities. At this time, departments may be required to submit additional information.

Project proposals must also account for any impacts on the City's operating budget. Such proposals are subject to additional review to determine the anticipated effect on personnel, maintenance, utilities, and supply costs, as well as expected changes in service demand or delivery of departmental programs. It is generally assumed that certain types of projects, such as HVAC system upgrades and window replacements, will provide operating budget savings as a result of improved energy efficiency.

Because our capital plan will require regular review and supplementation as the future unfolds, the City has established a Capital Projects Team in the Office of Budget, as well as a Facilities Steering Committee, a Vehicle Steering Committee, and an Infrastructure Coordinating Committee.

The Facilities Steering Committee will develop a Facilities Master Plan that will right-size the city's total footprint; bring the City's facility inventory into a state of good repair; avoid investments into assets that the City is likely to vacate; and set the long-term strategic direction that helps to leverage other City resources.

The Vehicle Steering Committee has developed the City Fleet Rightsizing and Replacement Plan that guides the City's acquisitions of new vehicles and the replacement of existing vehicles that have reached the end of their useful life. Through this Committee, the City will ensure that the City fleet is sized appropriately based on true departmental and service provision need, as well as standardize the fleet to reduce operating costs.

Finally, the Infrastructure Coordinating Committee brings together the major infrastructure departments of the City to ensure that investments are scheduled and implemented in ways that

are complementary to other necessary infrastructure investments. For example, when the Department of Public Works intends to replace a stretch of roadway, it will work with the Detroit Water and Sewerage Department and the Public Lighting Authority to ensure that any investments planned by these respective entities are undertaken while the road surface is already removed.