

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., FAICP
Elizabeth Cabot, Esq.
Tasha Cowan
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
Kim Newby
Analine Powers, Ph.D.
Jennifer Reinhardt
Rebecca Savage
Sabrina Shockley
Thomas Stephens, Esq.
David Teeter
Theresa Thomas
Kathryn L. Underwood, MUP
Ashley A. Wilson

TO: LaJuan Counts, Director
Detroit Demolition Department

FROM: David Whitaker, Director
Legislative Policy Division

DATE: March 16, 2020

RE: **2020-2021 Budget Analysis**

Attached is our budget analysis regarding your agency's budget for the upcoming 2020-2021 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Wednesday, March 18, 2020 at 11:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Council members and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

Attachments

cc: Councilmembers
Auditor General's Office
David Massaron, Chief Financial Officer
James George, Agency Chief Financial Officer
Eunice Williams, Agency Chief Financial Officer
Tanya Stoudemire, Budget Department
Stephanie Washington, Mayor's Office

Detroit Demolition Department (16)

FY 2020-21 Budget Analysis by the Legislative Policy Division

Issues and Questions

- 1) When will the Administration present to Council an Executive Organizational Plan (EOP) for the creation of the new Detroit Demolition Department, as well as for other organizational changes, such as the relocation of the Animal Control Division from the Health Department to the General Services Department?
- 2) In FY 2021, the revenue source for the \$45 million being allocated for the Detroit Demolition Department is coming from **general fund surplus, a one-time funding source**. Parenthetically, Attachment I shows that \$50 million for Blight Remediation is coming from the \$123 million prior year general fund surplus of FY 2019; Attachment II shows breakdown of uses of \$45 million for the Detroit Demolition Department; and Attachment III shows that the \$50 million for Blight Remediation is in Fund 1003 Blight Remediation Fund, housed in the Non-Departmental budget.

Please explain why the Detroit Demolition Department is only being funded for FY 2021, or one fiscal year? What happens to the employees of the Detroit Demolition Department if a funding source is not found for this department beyond FY 2021? What department(s) would carry on the services provided by the Detroit Demolition Department if there is no funding for this department beyond FY 2021?

- 3) Attachment II indicates a FY 2020 budget amendment will be submitted to begin the Detroit Demolition Department effective April 20th. When will this budget amendmenet be submitted to Council for consideration?
- 4) Could any of the Community Development Block Grant dollars in FY 2021 also be used for commercial demolition in FY 2021?
- 5) According to page 191 of the City of Detroit's 2019 CAFR (Comprehensive Annual Financial Report), the Fire Insurance Escrow Fund contains a balance of \$9.83 million as of June 30, 2019. Will the Detroit Demolition Department work with BSEED to determine if any of the fire insurance escrow fund monies can be used to reimburse the General Fund for past demolition activities?
- 6) Of the \$45 million Blight Remediation dollars, \$30 million is slated for residential demolition in FY 2021. What is the Detroit Demolition Department's target for the average residential demolition cost per house?
- 7) It is the Detroit Demolition Department's goal to demolish 100 structures per month, on average, through FY 2021. What is the current amount of structures being demolished, on average, per month?
- 8) Where would the Detroit Demolition Department be located?

- 9) Will the Detroit Demolition Department be using the Sales Force software housed at the Detroit Land Bank Authority for demolition cost and demolition contract inventory management?
- 10) Will the Detroit Demolition Department work with the Office of Procurement to ensure there is sufficient language in the demolition contracts to enable the City to receive revenue from the sale of any deconstructive materials?
- 11) Of the 35 budgeted FTE's how many would be new hires? What positions, if any, are being transferred to the Detroit Demolition Department from other City departments or authorities?
- 12) In the Non-Departmental Budget, the Detroit Building Authority is shown as losing 4 positions, are those positions becoming part of the Detroit Demolition Department?
- 13) \$35.6 million is budgeted for Operating Supplies, is that for demolition contracts? If so, why is demolition contracts being categorized as operating supplies instead of contractual services or operating services?
- 14) Please describe the positions that make up the three members of the Executive Management Team.
- 15) Is there a proposed organization chart for the Detroit Demolition Department?
- 16) As denoted in question 3) above, it appears it is expected that this department will begin operating before July 1, 2020. Is there a strategic plan for the department? Are their job descriptions, policies and procedures in place?
- 17) What changes (both minor and major) are being made to demolition processes from what they were under the DLBA/DBA structure? Are any criterion being added or removed to the scope of services for the residential demolition contracts? Are any of these changes in response to the audit findings?
- 18) Please briefly explain the department's new expense initiatives, new capital funding requests, operational reform and savings proposals, and new revenue initiatives/proposals to be implemented in FY2021?
- 19) Attachment IV represent questions generated by citizens from a public forum conducted by Council President Brenda Jones and Council Member Janeé Ayers. If you have not responded to these questions already, please provide responses to these questions as well.

Use of Prior Year Fund Balance

- One-Time Needs exceed available prior year fund balance:
 - Rainy Day Fund increases to 12.7%, but goal is to reach 15%
 - Blight funding is \$23M less than FY 2020
 - Cash Capital is \$27.5M less than FY 2020
 - Retiree Protection Fund increase needed to meet future pension contribution increases
 - Remaining prior year fund balance balance is only 1% of the budget

General Fund Proposed One-Time Spending From Prior Year Fund Balance	
Rainy Day Fund (Budget Reserve)	\$30M
Blight	\$50M *
Cash Capital (not covered by bonds)	\$5M
Affordable Housing Fund (per ordinance)	\$5M
Retiree Protection Fund	\$20M
Balance for anticipated needs	\$13M
Total	\$123M



Blight

- \$50M FY 2021 Proposed Budget is \$23M less than FY 2020 Adopted Budget
- Prior year fund balance remains the primary funding source for continued Blight Removal
- New Demolition Department established
 - Consolidates all demolition functions, including compliance and environmental
 - Brings demolition under full City control
 - Will submit separate FY 2020 budget amendment to begin department effective April 20

Department	FY 2021 Proposed
Office of the Chief Financial Officer	\$0.9M
Demolition Department	\$45.0M
Residential Demolition	\$30.0M
Commercial Demolition	\$9.6M
Compliance Unit	\$2.8M
Staff	\$2.1M
Supplies	\$0.5M
General Services Department	\$4.1M
Board Up Program	\$0.8M
Mural Program City Walls	\$0.1M
Corridor Trades Unit	\$1.1M
Land Bank Property Maintenance	\$1.1M
Corridor Clean Up	\$0.6M
Graffiti Removal	\$0.4M
Total	\$50.0M



CITY OF DETROIT
 BUDGET DEVELOPMENT
 FINANCIAL DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER - REVENUES
 DEPARTMENT 35 - NON-DEPARTMENTAL

Department # - Department Name Fund # - Fund Name Appropriation # - Appropriation Name Cost Center # - Cost Center Name	FY2020 Adopted	FY2021 Mayor	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast
13853 - Non Dept Note B Payment	-	1,553,493	1,553,493	1,553,493	1,553,493
351025 - Note B Payment	-	1,553,493	1,553,493	1,553,493	1,553,493
13854 - Non Dept Retirement Systems	-	-	-	-	87,000,000
351026 - Retirement Systems - UAAL	-	-	-	-	87,000,000
13968 - Note C Debt Service	-	547,606	473,419	395,523	313,731
351036 - Syncora Settlement	-	547,606	473,419	395,523	313,731
14001 - Non Dept Budget Reserve	45,000,000	30,000,000	-	-	-
352101 - Budget Reserve	45,000,000	30,000,000	-	-	-
20255 - Prior Year Activity	12,100,000	20,000,000	-	-	-
351009 - Prior Year Surplus	12,100,000	20,000,000	-	-	-
*1003 - Blight Remediation Fund	73,000,000	50,000,000	-	-	-
20253 - Blight Remediation Projects	73,000,000	50,000,000	-	-	-
351009 - Prior Year Surplus	73,000,000	50,000,000	-	-	-
3921 - Other Special Revenue Fund	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
13366 - Non Dept P.E.G. Fees	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
350324 - P.E.G. Fees	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
4533 - City of Detroit Capital Projects	32,500,000	5,000,000	-	-	-
20255 - Prior Year Activity	32,500,000	5,000,000	-	-	-
351009 - Prior Year Surplus	32,500,000	5,000,000	-	-	-
Grand Total	1,083,351,040	1,038,491,974	944,661,320	956,772,107	1,056,586,332

DETROIT DEMOLITION DEPARTMENT (16)

AGENCY PLAN: MISSION, GOALS AND ACTIVITY SUMMARY

MISSION:

The mission of the Detroit Demolition Department is to promote the health, safety, and quality of life of the people of Detroit through the elimination of blighted structures.

DESCRIPTION:

The Detroit Demolition Department employs a team of 35 staff that collectively:

- Work with all relevant City departments, agencies, and stakeholders to identify and strategically prioritize demolition targets.
- Work with the City Office of Contracting and Procurement on the solicitation for and selection of contractors to perform all necessary services.
- Coordinate/Manage/Oversee all necessary pre-demolition due diligence, including but not limited to the survey and inspection of properties for hazardous or regulated materials.
- Coordinate/Manage/Oversee all demolition activities, including but not limited to the abatement of hazardous/regulated materials and backfill and grading of properties.
- Respond to internal and external inquiries related to Departmental activities.
- Work with all relevant City departments to recover costs associated with the demolition of structures on privately-owned property.

AGENCY GOALS:

1. Coordinate with all relevant City departments and agencies to create the most efficient strategy for and identification of demolition targets.
2. Demolish 100 structures per month, on average, through the fiscal year.

Department Name: Detroit Demolition Department
 Department #: 16

Budget Summary:

	FY2019 Actual		FY2020 Adopted		FY2021 Mayor Recommended	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	45,000,000
Net Tax Cost	-	-	-	-	-	45,000,000

	FY2022 Forecast		FY2023 Forecast		FY2024 Forecast	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-
Net Tax Cost	-	-	-	-	-	-

Positions (by FTE):	1/1/2020 Actual	FY2020 Adopted	FY2021 Mayor Recommended	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast
	General Fund	-	-	-	-	-
Non-General Fund*	-	-	35	-	-	-
Total Positions	-	-	35	-	-	-

*Non-General Fund positions include temporary staff through FY2021

DETROIT DEMOLITION DEPARTMENT (16)

ACTIVITY DESCRIPTIONS:

ADMINISTRATION

The **Administration Division** is responsible for the day to day operations to ensure that each division in the department is properly executing the mandates of the administration and enforcement of federal, state, and local laws related to departmental activities. Responsibilities include identification and allocation of resources to properly manage, plan, provide program development, customer relations, strategic planning, and implementation of policies.

Key business processes:

- Execute operational functions and initiatives department-wide.
- Budget development and management.
- Human Resource management.
- Information Technology support, strategies and new initiatives.
- Records maintenance and retention, including construction archives, plans and permits for structures within the City.
- Addresses requests of City Council, other City agencies, and the public.
- Participates in various Mayoral and City-wide initiatives.
- Manage the schedule of various boards and commissions, including the Construction Board of Appeals, the Board of Rules and the Wrecking Board.
- Customer service and process improvement initiatives.

RESIDENTIAL DEMOLITION

The **Residential Demolition Division** is responsible for coordinating all necessary pre-demolition due diligence and managing the demolition of residential structures in the City.

Key business processes:

- Work with all relevant City departments, agencies, and stakeholders to identify and strategically prioritize demolition targets.
- Work with the City Office of Contracting and Procurement on the solicitation for and selection of contractors to perform all necessary services.
- Coordinate/Manage/Oversee all necessary pre-demolition (non-environmental) due diligence.
- Work with all relevant City departments to recover costs associated with the demolition of structures on privately-owned property.

DETROIT DEMOLITION DEPARTMENT (16)

COMMERCIAL DEMOLITION

The **Commercial Demolition Division** is responsible for coordinating all necessary pre-demolition due diligence and managing the demolition of commercial structures in the city.

Key business processes:

- Work with all relevant City departments, agencies, and stakeholders to identify and strategically prioritize demolition targets.
- Work with the City Office of Contracting and Procurement on the solicitation for and selection of contractors to perform all necessary services.
- Coordinate/Manage/Oversee all necessary pre-demolition due diligence, including but not limited to the survey and inspection of properties for hazardous or regulated materials.
- Work with all relevant City departments to recover costs associated with the demolition of structures on privately-owned property.

ENVIRONMENTAL

The **Environmental Division** is responsible for coordinating all necessary and appropriate environmental due diligence for the Demolition Program.

Key business processes:

- Review and maintain the Scope of Services for due diligence, abatement, and field services.
- Work with the City Office of Contracting and Procurement on the solicitation for and selection of contractors to perform all necessary services.
- Coordinate/Manage/Oversee all necessary pre-demolition due diligence, including but not limited to the survey and inspection of properties for hazardous or regulated materials.

COMPLIANCE

The **Compliance Division** is responsible for monitoring and inspecting the work of City contractors and reviewing the documentation provided by City contractors to ensure compliance with the protocols of the City Demolition Program.

Key business processes:

- Monitor and track field operations of contractors to ensure compliance with the applicable Scope of Services.
- Review documentation provided by contractors to ensure compliance with the applicable Scope of Services.
- Reporting on activities of the Department and the contractors to City leadership, including the Mayor, the Chief Financial Officer, and the City Council.
- Work with all relevant City departments to administer a disciplinary program for contractor non-compliance.

CITY OF DETROIT
 BUDGET DEVELOPMENT
 EXPENDITURES BY SUMMARY CATEGORY - ALL FUNDS
 DEPARTMENT 16 - DETROIT DEMOLITION DEPARTMENT

Department # - Department Name Summary Category	FY2020 Adopted	FY2021 Mayor	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast
16 - Detroit Demolition Department	-	45,000,000	-	-	-
Salaries & Wages	-	3,405,029	-	-	-
Employee Benefits	-	499,884	-	-	-
Professional & Contractual Services	-	3,956,687	-	-	-
Operating Supplies	-	35,662,000	-	-	-
Operating Services	-	800,900	-	-	-
Equipment Acquisition	-	15,500	-	-	-
Other Expenses	-	660,000	-	-	-
Grand Total	-	45,000,000	-	-	-

CITY OF DETROIT
 BUDGET DEVELOPMENT
 EXPENDITURES BY SUMMARY CATEGORY - FUND DETAIL
 DEPARTMENT 16 - DETROIT DEMOLITION DEPARTMENT

Department # - Department Name Fund # - Fund Name Summary Category	FY2020 Adopted	FY2021 Mayor	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast
16 - Detroit Demolition Department	-	45,000,000	-	-	-
1003 - Blight Remediation Fund	-	45,000,000	-	-	-
Salaries & Wages	-	3,405,029	-	-	-
Employee Benefits	-	499,884	-	-	-
Professional & Contractual Services	-	3,956,687	-	-	-
Operating Supplies	-	35,662,000	-	-	-
Operating Services	-	800,900	-	-	-
Equipment Acquisition	-	15,500	-	-	-
Other Expenses	-	660,000	-	-	-
Grand Total	-	45,000,000	-	-	-

CITY OF DETROIT
 BUDGET DEVELOPMENT
 FINANCIAL DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER - EXPENDITURES
 DEPARTMENT 16 - DETROIT DEMOLITION DEPARTMENT

Department # - Department Name	FY2020 Adopted	FY2021 Mayor	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast
Fund # - Fund Name					
Appropriation # - Appropriation Name					
Cost Center # - Cost Center Name					
16 - Detroit Demolition Department	-	45,000,000	-	-	-
1003 - Blight Remediation Fund	-	45,000,000	-	-	-
21200 - Detroit Demolition	-	45,000,000	-	-	-
160010 - Demolition Administration	-	2,645,047	-	-	-
160020 - Residential Demolition	-	30,000,000	-	-	-
160030 - Commercial Demolition	-	9,550,000	-	-	-
160040 - Demolition Environmental	-	183,684	-	-	-
160050 - Demolition Compliance	-	2,621,269	-	-	-
Grand Total	-	45,000,000	-	-	-

CITY OF DETROIT
 BUDGET DEVELOPMENT
 POSITION DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER
 DEPARTMENT 16 - DETROIT DEMOLITION DEPARTMENT

Department # - Department Name	FY2020 Adopted by FTE	FY2021 Mayor by FTE	FY2022 Forecast by FTE	FY2023 Forecast by FTE	FY2024 Forecast by FTE
Fund # - Fund Name					
Appropriation # - Appropriation Name					
Cost Center # - Cost Center Name					
Job Code - Job Title					
16 - Detroit Demolition Department	0	35	0	0	0
1003 - Blight Remediation Fund	0	35	0	0	0
21200 - Detroit Demolition	0	35	0	0	0
160010 - Demolition Administration	0	17	0	0	0
111003 - Project Manager & Analytics Specialist III	0	1	0	0	0
11919911 - Associate Director of Strategic Affairs	0	1	0	0	0
653080 - Executive Management Team	0	3	0	0	0
929101 - Administrative Special Services Staff I	0	2	0	0	0
929102 - Administrative Special Services Staff II	0	5	0	0	0
929107 - Administrative Special Services Staff II - Exempt	0	3	0	0	0
929108 - Administrative Special Services Staff III - Exempt	0	2	0	0	0
160040 - Demolition Environmental	0	2	0	0	0
929102 - Administrative Special Services Staff II	0	1	0	0	0
929107 - Administrative Special Services Staff II - Exempt	0	1	0	0	0
160050 - Demolition Compliance	0	16	0	0	0
13111103 - Program Analyst III	0	2	0	0	0
13111104 - Program Analyst IV	0	1	0	0	0
13111402 - Program Analyst II (Community Development Sp	0	1	0	0	0
929102 - Administrative Special Services Staff II	0	8	0	0	0
929107 - Administrative Special Services Staff II - Exempt	0	3	0	0	0
929108 - Administrative Special Services Staff III - Exempt	0	1	0	0	0
Grand Total	0	35	0	0	0

MEMO

To: LaJuan Counts, Director
Demolition Department

From: Honorable Brenda Jones, President *BQ*
Detroit City Council
Council Member Janee' Ayers, Chair *JA*
Budget, Audit and Finance Standing Committee

CC: Honorable Colleagues
Avery Peoples, Legislative Liaison

Date: March 4, 2020

RE: Community Budget Priorities Questions

District 1

1. What is the feasibility of building a new home immediately following demolition?
 - a. What is the cost to implement?

District 4

1. What is the current standard for demolition?
 - a. Are homes that could be salvaged currently demolished?
 - i. If so, please provide an explanation.
 - b. Why are homes that are in dire need of demolition due to fire damage or other structural deficiencies not selected for demolition over more salvageable structures?

District 5

1. How many inspectors are allocated in the FY 2020-2021 Demolition Department's budget?
 - a. How many demolitions will each inspector monitor daily, weekly, and monthly?
 - b. What is the average amount of time that each inspector spends on a demolition site?
 - c. What reporting mechanisms are in place for inspectors?
 - d. Is there an increase inspectors from last year's budget?
 - e. What is the cost of each inspector?

District 6

1. Why are demolition contractors leaving debris after the completion of demolition?
 - a. What processes and procedures are in place to ensure that demolition contractors are not leaving behind post-demolition debris?
2. Is the Demolition Department aware that sink holes are occurring post demolition?
 - a. What steps are in place to prevent or eliminate sink holes within neighborhoods?
3. What is the Demolition Department's strategy for the demolition of commercial properties?
 - a. How much money is allocated to the demolition of commercial properties?
 - i. How many commercial properties will be demolished with budgeted funds?
 - ii. How are commercial demolitions prioritized throughout the districts?

District 7

1. Please explain the varying costs of demolition within the City of Detroit.
2. What steps are in place to ensure transparency and integrity related to demolition in the City of Detroit?
3. Please explain the difference in demolition timeframes between commercial demolition and residential demolition.