

David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning
Commission
Janese Chapman
Director, Historic Designation
Advisory Board

John Alexander
Megha Bamola
LaKisha Barclift, Esq.
Nur Barre
M. Rory Bolger, Ph.D., AICP
Elizabeth Cabot, Esq.
Tasha Cowen


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

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

TO: LaJuan Counts, Director
Detroit Demolition Department

FROM: David Whitaker, Director 
Legislative Policy Division

DATE: March 11, 2021

RE: **2021-2022 Budget Analysis**

Attached is our budget analysis regarding your agency's budget for the upcoming 2021-2022 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Monday, March 15, 2021 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 Councilmembers 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
Jay Rising, Acting Chief Financial Officer
Tanya Stoudemire, Deputy Chief Financial Officer
Steven Watson, Deputy CFO/Budget Director
Steven Morris, Agency CFO
Avery Peeples, Mayor's Office
Sam Geller, Budget Analyst

Detroit Demolition Department (16)

FY 2021-22 Budget Analysis by the Legislative Policy Division

On February 4, 2021, the City of Detroit issued \$175 million in unlimited tax general obligation (UTGO) bonds¹ also known as “Proposal N” or “Neighborhood Improvement Plan” bonds. Because there was a high demand for these bond, the bonds sold at a premium, and the City was able to secure an additional \$30.75 million in bond proceeds as a bond premium. The following sources and uses of the Proposal N bonds is as follows²:

SOURCES AND USES OF FUNDS

The sources and uses of funds are approximately as follows:

<u>Sources:</u>	2021A Bonds	2021B Bonds	Total
Par Amount of Bonds	\$135,000,000.00	\$40,000,000.00	\$175,000,000.00
Original Issue Premium	<u>30,748,789.50</u>	--	<u>30,748,789.50</u>
Total Sources	<u>\$165,748,789.50</u>	<u>\$40,000,000.00</u>	<u>\$205,748,789.50</u>
<u>Uses:</u>			
Project Fund Deposit	\$164,615,393.93	\$39,697,167.44	\$204,312,561.37
Issuance Costs*	<u>1,133,395.57</u>	<u>302,832.56</u>	<u>1,436,228.13</u>
Total Uses	<u>\$165,748,789.50</u>	<u>\$40,000,000.00</u>	<u>\$205,748,789.50</u>

* Includes estimated costs for printing the Official Statement, Rating Agency, Bond Counsel, Transfer Agent, Dissemination Agent, Investor Relations Agent and Auditor fees, Underwriters' Discount, and other expenses.

As can be seen from the above table, the City of Detroit received a total of \$205.75 million from the Proposal N bond sale. Of this total, \$1.44 million was paid in bond issuance costs (which are explained at the asterisk above). As a result, on February 11, 2021, the City of Detroit received \$204.3 million in net bond proceeds from the Proposal N bond sale. Of this total, \$164.6 million represents Series 2021A (tax exempt³) bonds, and \$40 million represents Series 2021B (taxable⁴) bonds.

On page B35 of the 2022-2025 four-year financial plan of the B section, the Administration indicates that the Demolition Department is funded primarily from the Proposal N bond proceeds in FY 2022. These funds appropriated in appropriation 21003 UTGO Blight Bonds in accordance with the bond resolution approved by City Council in July 2020.

Issues and Questions

1. The Demolition Department will be funded primarily from funding source: the tax exempt Proposal N bonds or the taxable Proposal N bonds?

¹ Unlimited tax general obligation (UTGO) bonds are voter-authorized bonds paid off from property taxes based on the City of Detroit’s property tax debt millage. In contrast, limited tax general obligation (LTGO) bonds are non-voter bonds and paid for out of the City’s general fund and are not paid for out of property taxes based on the property tax debt millage.

² Source: City of Detroit’s Official Statement providing details on the Proposal N bond sale dated February 4, 2021, which can be obtained from the following link:

file:///C:/Users/Owner/Downloads/City_of_Detroit_OS_Feb_2021.I6bxemsul.pdf

³ Tax exempt bonds are when the interest paid on municipal issues is exempt from federal taxes and sometimes state and local taxes as well.

⁴ Taxable bonds are when the interest paid on municipal bonds is subject to both federal and state income taxes.

2. Please provide a legal opinion from bond counsel that the Demolition Department operations can be funded from the Proposal N tax exempt/taxable bonds.
3. Please provide the total budget for the Demolition Department's operations from FY 2022 through FY 2025, including salaries, benefits, professional & contractual services, operating supplies, operating services, equipment acquisition, capital outlays, fixed charges, and other expenses, supported by both the Proposal N bond proceeds and the cash capital from Fund 1003 cash blight funds, to show the Demolition Department total budget for FY 2022 through FY 2025.
4. Starting in FY 2022, please provide Council a quarterly report showing a budget to actual schedule regarding the Proposal N expenditures for demolition activity, securing of property for rehabilitation, and Demolition Department operations.
5. Please provide an organizational chart for the Demolition Department for FY 2022.
6. Page B46 shows which Demolition Department employees will be FTEs and TASS employees paid by the Proposal N bond proceeds. The TASS titles are from the current Compensation Book. Are all FTE titles in the Compensation Book?
7. Please provide the titles for the 3 employees under "Executive Management Team" on page B46. Are these titles currently in the Compensation Book?
8. Please provide the salary ranges for all of the FTE titles of the Demolition Department, including those that fall under "Executive Management Team".
9. Would the Proposal N bond proceeds also pay for pension costs for the FTE employees?
10. The not to exceed bond sale of \$250 million for the Proposal N bonds were to support the demolition of 8,000 properties and secure for rehabilitation 8,000 properties. With the \$204.3 million in Proposal N bond proceeds from the February 2021 bond sale, how many properties can be demolished and secured for rehabilitation?
11. Does the Demolition Department operational cost covered by Proposal N dollars hinders the department's goal of demolishing 8,000 properties and securing 8,000 properties for rehabilitation?
12. When would the remaining \$75 million under the bond resolution be sold?
13. Page B43 shows \$7,974,130 in Fund 1003 cash capital dollars that would be used for emergency demolitions, according to the budget information shared during Mayor Duggan's budget address. Wouldn't some of the emergency demolitions be a part of the 8,000 properties to be demolished using Proposal N bond dollars? Can Proposal N bond dollars be used for emergency demolition?
14. What is the timeframe for the establishment of the joint Mayoral/City Council oversight board for the demolition process as outlined in the Neighborhood Improvement Plan resolution approved by Council in October 2020?

15. According to page 202 of the City of Detroit's 2020 CAFR (Comprehensive Annual Financial Report), the Fire Insurance Escrow Fund contains a balance of \$10.74 million as of June 30, 2020. 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?

16. 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 FY2022?

DETROIT DEMOLITION DEPARTMENT (16)

AGENCY PLAN

The Demolition Department is funded primarily by the Proposition N Unlimited Tax General Obligation bonds issued and appropriated in Fiscal Year 2021. This funding will balance forward at the end of Fiscal Year 2021 to fund the Department in Fiscal Year 2022. The current balance of the Proposition N bond account remains \$205.7 million, as no funds have yet been expended in FY2021.

The funds that appear in this departmental summary are limited only to the Fund 1003 Cash Blight funds required to fund emergency demolitions which are not eligible for the use of Proposition N bond funds.

MISSION:

The Detroit Demolition Department promotes the health, safety, and quality of life of the people of Detroit through the elimination of blighted structures. Staff will identify and strategically prioritize demolition targets; work with the Office of Contracting and Procurement on the solicitation for and selection of contractors; Coordinate/Manage/Oversee necessary pre-demolition due diligence, including survey and inspection of properties for hazardous or regulated materials; Coordinate/Manage/Oversee demolition activities, including abatement of hazardous/regulated materials and backfill and grading of properties; Respond to inquiries; recover costs associated with the demolition of structures on privately-owned property.

The Detroit Demolition Department will employ a team of up to 73 staff:

- **Administration Division** properly executes mandates of the Administration and of related federal, state, and local laws. This includes identifying and allocating resources to plan, provide program development, customer relations, strategic planning, and implementation. Important processes include records maintenance and retention of construction archives, plans and permits for structures, and managing the schedule of various boards and commissions, including the Construction Board of Appeals, the Board of Rules and the Wrecking Board.
- **Emergency Demolition Program** coordinates all necessary pre-demolition due diligence and manages demolition of emergency structures. This will involve work with relevant departments, agencies, and stakeholders to identify and conduct all necessary due diligence, contracting and procurement, pre-demolition (non-environmental) due diligence; and cost recovery for demolitions on privately-owned property.
- **Bond Demolition Program** coordinates pre-demolition due diligence and manages demolition of blighted residential structures. This will involve work with relevant departments, agencies, and stakeholders to identify and conduct all necessary due diligence, contracting and procurement, pre-demolition (non-environmental) due diligence; and cost recovery for demolitions.
- **Bond Rehabilitation Program** coordinates pre-rehabilitation due diligence and manages rehabilitation of publically-owned residential structures. This will involve work with relevant departments, agencies, and stakeholders to identify and conduct all necessary due diligence, Contracting and Procurement, pre-demolition (non-environmental) due diligence; and cost recovery for rehabilitations.
- **Environmental Division** coordinates environmental due diligence for the Demolition Program. This will involve work with departments,

DETROIT DEMOLITION DEPARTMENT (16)

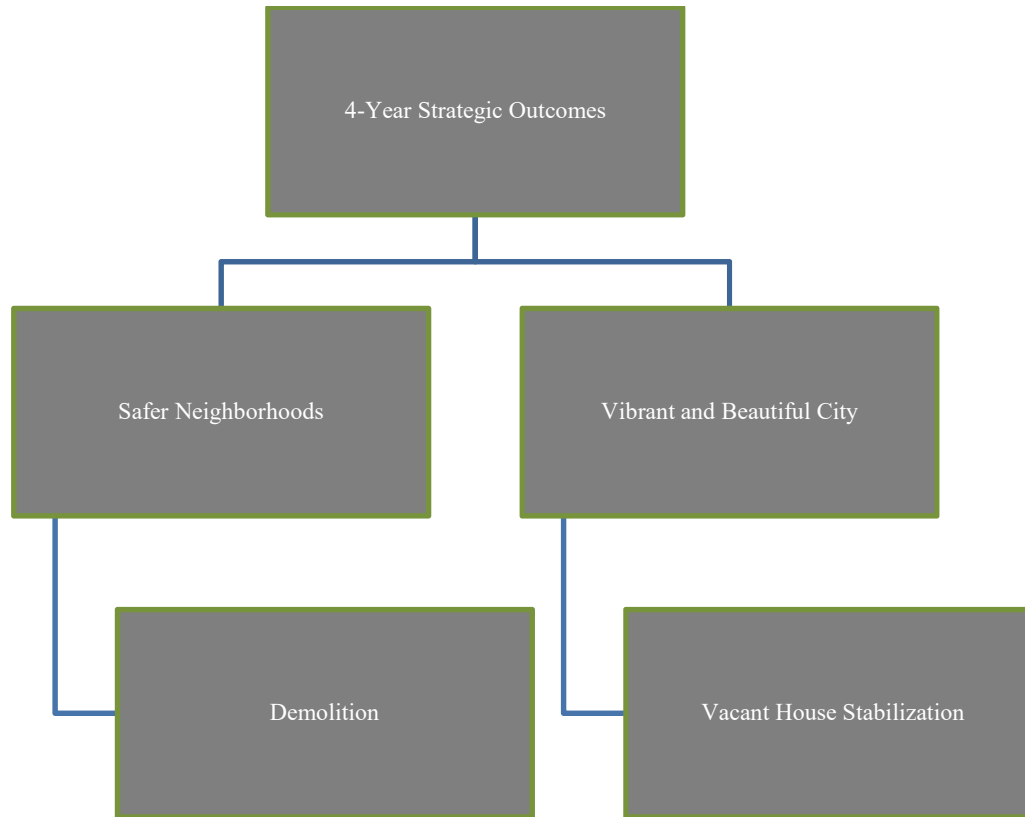
agencies, and stakeholders to identify and conduct due diligence; Scope of Services for due diligence, abatement, and field services in conjunction with Contracting and Procurement; pre-demolition due diligence, including survey and inspection for hazardous or regulated materials.

- **Compliance Division** monitors and inspects the work of City contractors and reviews documentation provided by City contractors to ensure compliance with the protocols of the City Demolition and Bond Rehabilitation Programs. This will involve monitoring and tracking field operations of contractors to ensure compliance with their Scope of Services; reviewing their documentation; reporting on activities to City leadership, including the Mayor, Chief Financial Officer, and City Council; a disciplinary program for contractor non-compliance.

STRATEGIC PRIORITIES:

- Coordinate with all relevant City departments and agencies to create the most efficient strategy for and identification of demolition targets;
- Demolish 300 structures per month on average through the fiscal year.

DETROIT DEMOLITION DEPARTMENT (16)



Department Name: Detroit Demolition Department

Department #: 16

Budget Summary:

	FY2020 Actual		FY2021 Adopted		FY2022 Mayor	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	7,974,130
Total Expenditures	-	-	-	9,651,609	-	7,974,130
Net Tax Cost	-	-	-	9,651,609	-	-

	FY2023 Forecast		FY2024 Forecast		FY2025 Forecast	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-
Net Tax Cost	-	-	-	-	-	-

Positions (by FTE):	1/1/2021 Actual	FY2021 Adopted	FY2022 Mayor	FY2023 Forecast	FY2024 Forecast	FY2025 Forecast
General Fund	-	-	-	-	-	-
Non-General Fund*	21	35	73	73	73	73
Total Positions	21	35	73	73	73	73

Non-General Fund positions include temporary staff through FY2021

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

Department # - Department Name Summary Category	FY2021 Adopted	FY2022 Mayor	FY2023 Forecast	FY2024 Forecast	FY2025 Forecast
16 - Detroit Demolition Department	9,651,609	7,974,130	-	-	-
Professional & Contractual Services	-	816,500	-	-	-
Operating Supplies	9,651,609	6,795,630	-	-	-
Other Expenses	-	362,000	-	-	-
Grand Total	9,651,609	7,974,130	-	-	-

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

Department # - Department Name Summary Category	FY2021 Adopted	FY2022 Mayor	FY2023 Forecast	FY2024 Forecast	FY2025 Forecast
16 - Detroit Demolition Department	-	7,974,130	-	-	-
Contributions & Transfers	-	7,974,130	-	-	-
Grand Total	-	7,974,130	-	-	-

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

Department # - Department Name Fund # - Fund Name Summary Category	FY2021 Adopted	FY2022 Mayor	FY2023 Forecast	FY2024 Forecast	FY2025 Forecast
16 - Detroit Demolition Department	9,651,609	7,974,130	-	-	-
1003 - Blight Remediation Fund	9,651,609	7,974,130	-	-	-
Professional & Contractual Services	-	816,500	-	-	-
Operating Supplies	9,651,609	6,795,630	-	-	-
Other Expenses	-	362,000	-	-	-
Grand Total	9,651,609	7,974,130	-	-	-

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

Department # - Department Name Fund # - Fund Name Summary Category	FY2021 Adopted	FY2022 Mayor	FY2023 Forecast	FY2024 Forecast	FY2025 Forecast
16 - Detroit Demolition Department	-	7,974,130	-	-	-
1003 - Blight Remediation Fund	-	7,974,130	-	-	-
Contributions & Transfers	-	7,974,130	-	-	-
Grand Total	-	7,974,130	-	-	-

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

Department # - Department Name					
Fund # - Fund Name	FY2021	FY2022	FY2023	FY2024	FY2025
Appropriation # - Appropriation Name	Adopted	Mayor	Forecast	Forecast	Forecast
Cost Center # - Cost Center Name					
16 - Detroit Demolition Department	9,651,609	7,974,130	-	-	-
1003 - Blight Remediation Fund	9,651,609	7,974,130	-	-	-
21200 - Detroit Demolition	9,651,609	7,974,130	-	-	-
160020 - Residential Demolition	9,651,609	7,974,130	-	-	-
Grand Total	9,651,609	7,974,130	-	-	-

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

Department # - Department Name					
Fund # - Fund Name	FY2021	FY2022	FY2023	FY2024	FY2025
Appropriation # - Appropriation Name	Adopted	Mayor	Forecast	Forecast	Forecast
Cost Center # - Cost Center Name					
16 - Detroit Demolition Department	-	7,974,130	-	-	-
1003 - Blight Remediation Fund	-	7,974,130	-	-	-
21200 - Detroit Demolition	-	7,974,130	-	-	-
160020 - Residential Demolition	-	7,974,130	-	-	-
Grand Total	-	7,974,130	-	-	-

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

Department # - Department Name					
Fund # - Fund Name					
Appropriation # - Appropriation Name	FY2021	FY2022	FY2023	FY2024	FY2025
Cost Center # - Cost Center Name	Adopted	Mayor	Forecast	Forecast	Forecast
Job Code - Job Title					
16 - Detroit Demolition Department	35	73	73	73	73
1003 - Blight Remediation Fund	35	0	0	0	0
21200 - Detroit Demolition	35	0	0	0	0
160010 - Demolition Administration	17	0	0	0	0
111003 - Project Manager & Analytics Specialist III	1	0	0	0	0
11919911 - Associate Director of Strategic Affairs	1	0	0	0	0
653080 - Executive Management Team	3	0	0	0	0
929101 - Administrative Special Services Staff I	2	0	0	0	0
929102 - Administrative Special Services Staff II	5	0	0	0	0
929107 - Administrative Special Services Staff II - Exempt	3	0	0	0	0
929108 - Administrative Special Services Staff III - Exempt	2	0	0	0	0
160040 - Demolition Environmental	2	0	0	0	0
929102 - Administrative Special Services Staff II	1	0	0	0	0
929107 - Administrative Special Services Staff II - Exempt	1	0	0	0	0
160050 - Demolition Compliance	16	0	0	0	0
13111103 - Program Analyst III	2	0	0	0	0
13111104 - Program Analyst IV	1	0	0	0	0
13111402 - Program Analyst II (Community Development Sp	1	0	0	0	0
929102 - Administrative Special Services Staff II	8	0	0	0	0
929107 - Administrative Special Services Staff II - Exempt	3	0	0	0	0
929108 - Administrative Special Services Staff III - Exempt	1	0	0	0	0
4503 - General Obligation Bond Fund	0	73	73	73	73
21003 - Neighborhood Improvement Bonds	0	73	73	73	73

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

Department # - Department Name					
Fund # - Fund Name					
Appropriation # - Appropriation Name	FY2021	FY2022	FY2023	FY2024	FY2025
Cost Center # - Cost Center Name	Adopted	Mayor	Forecast	Forecast	Forecast
Job Code - Job Title					
160010 - Demolition Administration	0	19	19	19	19
111003 - Project Manager & Analytics Specialist III	0	1	1	1	1
11919911 - Associate Director of Strategic Affairs	0	1	1	1	1
653080 - Executive Management Team	0	3	3	3	3
929102 - Administrative Special Services Staff II	0	5	5	5	5
929107 - Administrative Special Services Staff II - Exempt	0	5	5	5	5
929108 - Administrative Special Services Staff III - Exempt	0	4	4	4	4
160040 - Demolition Environmental	0	7	7	7	7
929102 - Administrative Special Services Staff II	0	1	1	1	1
929107 - Administrative Special Services Staff II - Exempt	0	6	6	6	6
160050 - Demolition Compliance	0	47	47	47	47
13111103 - Program Analyst III	0	2	2	2	2
13111104 - Program Analyst IV	0	1	1	1	1
13111402 - Program Analyst II Community Development Spe	0	1	1	1	1
929101 - Administrative Special Services Staff I	0	10	10	10	10
929102 - Administrative Special Services Staff II	0	14	14	14	14
929107 - Administrative Special Services Staff II - Exempt	0	17	17	17	17
929108 - Administrative Special Services Staff III - Exempt	0	2	2	2	2
Grand Total	35	73	73	73	73