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TO: The Honorable City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: October 21, 2022

RE: **NEIGHBORHOOD IMPROVEMENT PLAN BONDS (PROPOSAL N) FUNDS
STATUS AS OF JUNE 30, 2022**

This report is intended to give your Honorable Body an appropriation/cost center level status as of June 30, 2022, of the Proposal N Neighborhood Improvement Bond (Proposal N NIB) funds. On November 3, 2020, the citizens of the City of Detroit approved the bond issuance of not to exceed \$250 million in unlimited tax obligation bonds¹ for the purpose of paying the cost of neighborhood improvements in the City through property rehabilitation, demolition, and blight remediation. The City of Detroit's Demolition Department is responsible for using the Proposal N NIB funds to demolish an additional 8,000 blighted homes and preserve 6,000 homes for future renovation and sale² to improve the safety, value, and health of the neighborhoods in the City.

As your Honorable Body knows, of the not to exceed \$250 bond authorization, the City issued the first \$175 million in Proposal N NIBs in February 2021. This was a very successful bond sale as the City of Detroit received an additional \$30.75 million in bond premium³ on top of the \$175 million with a total bond proceeds of \$205.7 million.

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 The Demolition Department plans to preserve or stabilize 6,000 homes for future renovation and sale through debris removal, roof repair, and securing of property in the neighborhoods in the City.

³ According to the Office of the Chief Financial Officer, because there was a high demand for the Proposal N NIBs, along with market conditions at that time, 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. It is important to note that the City is only responsible to pay off the par amount of the bonds of \$175 million with a coupon interest rate of 5% over the 30-year life of the bonds to the bondholders. The bondholders

The Legislative Policy Division (LPD) also notes that since City Council approved appropriation 21003 to house the Prop N NIB proceeds in July 2020, these bond proceeds were budgeted in appropriation 21003 Neighborhood Improvement Bonds in February 2021 when the bonds were sold. As a result, the activity in appropriation 21003 Neighborhood Improvement Bonds is not reflected in the FY 2022 budget and FY 2022-2025 four-year financial plan. Consequently, the Prop N NIB proceeds will be balanced forward at the end of each fiscal year until the Prop N NIB proceeds are exhausted.

LPD further notes the Demolition Department uses Prop N NIB proceeds to pay for its operational costs, including staff costs, professional & contractual services costs, operating supplies costs, operation services costs, equipment acquisition costs, and other expenses costs⁴. For FY 2022, the 73 budgeted positions in the Demolition Department will be paid from the Prop N NIB funds housed in appropriation 21003 Neighborhood Improvement Bonds.

For the sake of transparency, Attachment I represents a spreadsheet prepared by LPD showing the Prop N NIB funds activity as of June 30, 2022 in appropriation 21003 Neighborhood Improvement Bonds (main program) discussed above. The spreadsheet further breaks down appropriation 21003 by cost centers (sub-programs): 160010-Demolition Administration; 160020-Residential Demolition; 160040-Demolition Environmental; and 160050-Demolition Compliance.

Of the total bond proceeds of \$205.7 million, as of June 30, 2022, the City spent approximately \$58.1 million (includes \$5.6 million spent in FY 2021 and \$52.5 million spent in FY 2022): \$52.8 million on demolition contracts and \$5.3 million on payroll costs for City employees that are performing demolition related work. The remaining \$147.6 million is available to be spent in FY 2023 and beyond. We should note that the \$58.1 million spent through June 30, 2022 represents 28.3% of the total bond proceeds while 71.7% is available.

Please note that there are no encumbrances reported in the June 30, 2022 report. This is due to all valid encumbrances that existed in the Oracle financial system as of June 30, 2022 were zeroed out and moved over to the first month (July) of the new fiscal year, which is fiscal year FY 2023. As a result, encumbrances will be reflected again in the September 30, 2022 Prop N NIB quarterly report.

We also would like to let this Honorable Body know that the City's fiscal year 2022 financial audit is currently ongoing and above expenditures are subject to post-closing audit adjustments.

Below schedule summarizes funds status as of June 30, 2022, and it includes activities for both fiscal years 2021 and 2022:

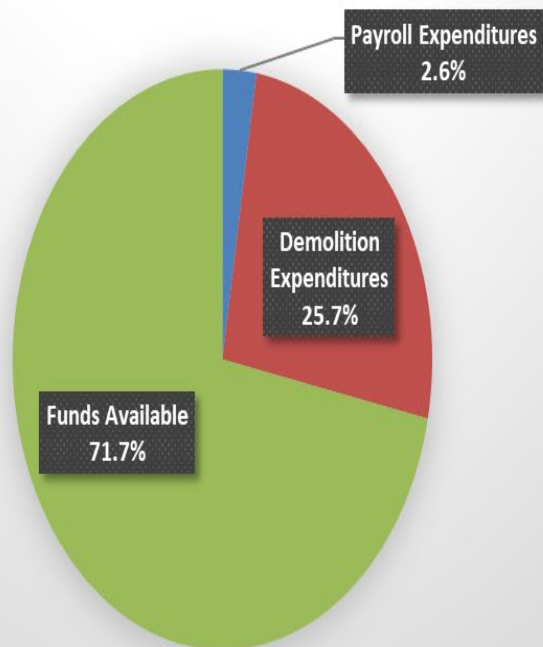
were willing to pay the City the premium of \$30.75 million since the bonds were effectively priced to yield a bond interest rate of approximately 3.3% at time of the bond sale.

⁴ The Office of the Chief Financial Officer has received a legal opinion from the City of Detroit's bond counsel (Miller Canfield) on the legality of using Prop N Bond funds for the Demolition Department's operations. A copy of the opinion was provided to City Council.

<u>Cost Center</u>	<u>Cost Center Description</u>	<u>Total Budget</u>	<u>FY 2021 Actual Expenditures</u>	<u>FY 2022 Actual Expenditures</u>	<u>Funds Available</u>
160010	Demolition Administration	7,692,167	265,738	2,109,469	5,316,960
160020	Residential Demolition	188,777,644	3,642,293	47,502,486	137,632,865
160040	Demolition Environmental	739,250	42,286	422,454	274,510
160050	Demolition Compliance	7,103,500	259,831	2,502,704	4,340,965
351380	2018 UTGO Bonds	1,436,228	1,416,427	-	19,801
Grand Total		205,748,790	5,626,576	52,537,113	147,585,101

Below graph summarizes funds status in percent terms as of June 30, 2022, and it includes activities for both fiscal years 2021 and 2022:

Proposal N Bond Proceeds Funds Status as of June 30, 2022



Please refer to attachment I for cost center level detail for FY 2021 and FY 2021 actual expenditures, and funds available as of June 30, 2022.

Please let us know if we can be any more assistance.

Attachments

cc: Auditor General's Office
Jay Rising, Chief Financial Officer
Tanya Stoudemire, Chief Deputy CFO – Policy & Administrator Director
Steven Watson, Deputy CFO/Budget Director
LaJuan Counts, Director, Detroit Demolition Department
Steven Morris, Deputy Agency CFO
Gail Fulton, Mayor's Office

Attachment I

Appropriation 21003: Neighborhood Improvement Bonds

Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	Funds Available
160010	Demolition Administration	601100	Salar-Full Time-Gen City	2,867,000	180,069.84	1,140,225	1,546,705
		601125	Salaries-Vacation Time	-	4,813	70,894	(75,707)
		601130	Salaries-Holiday Pay	-	4,860	59,432	(64,292)
		601600	Salaries For Employee Illness	-	-	5,941	(5,941)
		602100	Wages-Full Time-Gen City	-	41,159	305,119	(346,279)
		602125	Wages-Vacation Time	-	246	9,335	(9,581)
		602130	Wages-Holiday Pay	-	942	16,554	(17,496)
		602300	Wages-Overtime-Gen City	-	-	1,746	(1,746)
		602400	Wages-Shift Prem-Gen City	-	-	1	(1)
		603125	Emplr Pd Pension-GRS	-	4,677.24	39,187	(43,865)
		603200	Emplr Pd Ben-Medical	-	3,433.42	87,629	(91,063)
		603300	Employer Pd FICA	211,000	17,555.68	119,407	74,037
		603400	Unemployment	-	3,685.19	17,059	(20,744)
		603405	Workers' Compensation	-	213.08	25,572	(25,785)
		603900	Emp Benefits-Miscellaneous	-	1,134.33	1,703	(2,838)
		604100	Other Comp-Unused Sick Leave	-	500.00	7,718	(8,218)
		604900	Other Comp-General City	-	-	200	(200)
		605100	Group Life Insurance	-	15.43	308	(324)
		605205	Eye Care-Active Civilian	-	19.23	356	(375)
		605500	Income Protection-LTD	-	277.62	2,073	(2,351)
		605620	Dental Active	-	188.05	3,217	(3,405)
		605700	Health Care Reserve - Civilian	-	1,948.23	15,914	(17,862)
		617900	Contract Svcs-Other-Misc	3,877,667	-	-	3,877,667
		620100	Office Supplies	10,000	-	2,948	7,052
		622302	Software Maintenance	300,000	-	2,252	297,748
		626010	Advertising	25,000	-	-	25,000
		626100	Printing	100,000	-	110,756	(10,756)
		626415	Rentals- Office Equipment	50,000	-	-	50,000
		626500	Dues & Miscellaneous	4,500	-	-	4,500
		626700	Telecommunications	2,000	-	1,262	738
		627105	Private Car Reimbursements	185,000	-	57,525	127,475
		627195	Employee Uniform Expense	5,000	-	-	5,000
		628100	Travel	-	-	926	(926)
628200	Training	33,000	-	4,210	28,790		
644100	Acquisitions - Equipment	22,000	-	-	22,000		
Demolition Administration Total				7,692,167	265,738	2,109,469	5,316,960
160020	Residential Demolition	617900	Contract Svcs-Other-Misc	16,000,000	-	7,364,089	8,635,911
		620100	Office Supplies	-	-	-	-
		621900	Oper Supplies-Miscellaneous	90,000	-	23,194	66,806
		622400	Repairs & Maint-Facilities	10,800,000	-	-	10,800,000
		622900	Repairs & Maint-Misc	13,500,000	-	2,547,537	10,952,463
		622970	Abatement Services	26,390,717	828,467.00	10,487,805	15,074,445
		622975	Demolition & Excavation Services	80,247,280	1,849,388.50	17,178,022	61,219,869
		622980	Backfill & Grading Services	11,764,696	176,761.66	6,651,087	4,936,847
		622985	Site Finalization Services	19,783,861	66,584.52	1,872,268	17,845,008
		626804	Utilities-Electricity	50,000	-	4,111	45,889
		628500	Miscellaneous Expense	5,670,000	-	-	5,670,000
		628501	Misc-License,Insp&Permit Fees	4,481,092	721,091.60	1,374,374	2,385,626
		Residential Demolition Total				188,777,644	3,642,293.28

Attachment I

Appropriation 21003: Neighborhood Improvement Bonds

Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	Funds Available
160040	Demolition Environmental	601100	Salar-Full Time-Gen City	625,000	746.39	180,335.18	443,918
		601125	Salaries-Vacation Time	-	-	7,066	(7,066)
		601130	Salaries-Holiday Pay	-	132.69	7,879	(8,012)
		601300	Salar-Overtime-Gen City	10,000	-	-	10,000
		602100	Wages-Full Time-Gen City	-	37,313.44	167,863	(205,177)
		602125	Wages-Vacation Time	-	-	2,860	(2,860)
		602130	Wages-Holiday Pay	-	941.98	8,002	(8,944)
		603200	Emplr Pd Ben-Medical	-	140.54	893	(1,034)
		603300	Employer Pd FICA	48,000	2,992.88	28,163	16,844
		605100	Group Life Insurance	-	1.91	2	(4)
		605205	Eye Care-Active Civilian	-	2.05	2	(4)
		605620	Dental Active	-	14.44	18	(33)
		626700	Telecommunications	7,000	-	4,399	2,601
		627195	Employee Uniform Expense	1,750	-	-	1,750
		628200	Training	33,000	-	7,785	25,215
		644100	Acquisitions - Equipment	14,500	-	7,185	7,315
		Demolition Environmental Total				739,250	42,286
160050	Demolition Compliance	601100	Salar-Full Time-Gen City	6,000,000	83,118.69	821,248	5,095,633
		601125	Salaries-Vacation Time	-	3,291.49	55,717	(59,009)
		601130	Salaries-Holiday Pay	-	2,535.45	38,742	(41,278)
		601300	Salar-Overtime-Gen City	22,000	-	-	22,000
		602100	Wages-Full Time-Gen City	-	137,828.26	1,186,714	(1,324,542)
		602105	Wages-Employee Casual Leave	-	828.06	12,569	(13,397)
		602125	Wages-Vacation Time	-	4,161.68	21,039	(25,201)
		602130	Wages-Holiday Pay	-	18.02	57,222	(57,240)
		602300	Wages-Overtime-Gen City	-	2,599.21	5,608	(8,207)
		603125	Emplr Pd Pension-GRS	-	3,921.76	22,309	(26,231)
		603200	Emplr Pd Ben-Medical	-	17,641.06	23,681	(41,322)
		603300	Employer Pd FICA	475,718	-	166,498	309,219
		603400	Unemployment	1,282	-	9,570	(8,288)
		603405	Workers' Compensation	-	1,761.00	11,355	(13,116)
		603900	Emp Benefits-Miscellaneous	-	113.69	956	(1,070)
		604100	Other Comp-Unused Sick Leave	-	606.26	4,333	(4,939)
		604900	Other Comp-General City	-	20.06	453	(473)
		605100	Group Life Insurance	-	21.53	201	(222)
		605205	Eye Care-Active Civilian	-	148.27	218	(366)
		605500	Income Protection-LTD	-	176.74	1,164	(1,340)
		605620	Dental Active	-	1,039.66	1,719	(2,759)
		605700	Health Care Reserve - Civilian	-	-	8,933	(8,933)
		621900	Oper Supplies-Miscellaneous	2,000	-	13,877	(11,877)
		626700	Telecommunications	24,500	-	15,177	9,323
		627135	Pur Svcs-Law Dept	500,000	-	-	500,000
		627195	Employee Uniform Expense	10,000	-	-	10,000
		628200	Training	33,000	-	11,905	21,095
644100	Acquisitions - Equipment	35,000	-	11,496	23,504		
Demolition Compliance Total				7,103,500	259,830.89	2,502,704	4,340,965

Attachment I

Appropriation 21003: Neighborhood Improvement Bonds

Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	Funds Available
351380	2018 UTGO Bonds	705100	Bond Sale Expense	1,436,228.13	1,416,427.15	-	19,801
	2018 UTGO Bonds Total			1,436,228.13	1,416,427.15	-	19,800.98
Grand Total				205,748,790	5,626,576	52,537,113	147,585,101
Actual expenditures breakdown:				FY 2021	FY 2022	Total	
			Payroll	567,855	4,782,924	5,350,779	9.2%
			Non-payroll	5,058,720	47,754,189	52,812,910	90.8%
			Total	5,626,576	52,537,113	58,163,689	100%