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TO: Beau Taylor, Executive Director
Detroit Public Lighting Authority

FROM: David Whitaker, Director 
Legislative Policy Division

DATE: March 6, 2023

RE: 2023-2024 Budget Analysis

Attached is our budget analysis regarding your department's budget for the 2023-2024 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Wednesday, March 8, 2023, at 10:30 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience before or after your budget hearing. Please forward a copy of your responses to the Council members, the City Clerk's Office, and the Legislative Policy Division.

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

Thank you for your cooperation in this matter.

Attachments:
Issues and Questions

cc: Councilmembers
Auditor General's Office
Jay Rising, CFO
Tanya Stoudemire, Chief Deputy CFO-Policy & Administration Dire
Steven Watson, Deputy CFO/Budget Director
Brad Dick, Group Executive/COO
James George, Agency CFO
Malik Washington, Mayor's Office

Detroit Public Lighting Authority
FY 2023-2024 Budget Analysis by the Legislative Policy Division

The Detroit Public Lighting Authority (PLA) was authorized by the Michigan Legislature in 2012 via the Michigan Lighting Authority Act (Public Act 392 of 2012, or “Act 392”) to support and develop a plan to improve public lighting in the City of Detroit. The PLA is overseen by a five-member board that is appointed by the Mayor and the City Council.

The PLA was created for the purpose of providing financing, operating, and maintaining a street lighting system in the city. The PLA made a multi-year, city-wide investment in the public lighting infrastructure, including poles, ballasts, circuits, transformers, and distribution connections. This is the distinction between the PLA and the Public Lighting Department, the PLA does not provide or generate electrical energy- the city shall purchase all of the electricity necessary to power the streetlighting system from a third-party power provider. Per City Charter, the Public Lighting Department (PLD) is responsible for the delivery of energy (PLD can furnish and sell – electrical power)¹.

The PLA street lighting system improvements were funded through the sale of \$185 million in bonds; total bonds outstanding as of June 30, 2022, is \$170.2 million, final maturity is 2045. The bonds are repaid from the \$12.5 million per year the PLA receives from the City’s Utility User Tax revenues. The PLA also receives from the city reimbursement of operating and maintenance costs per an Operating & Maintenance (O&M) interlocal agreement with a stated annual cap of \$8.024 million.

Issues and Questions

- 1) Please provide LPD with the Board approved FY 2023 operating budget and the Proposed FY 2024 operating budget.
- 2) Please briefly explain the agency's new expense initiatives, any new and/or significant capital funding requests (include new streetscapes reimbursements from the city), operational reform and savings proposals, and new revenue initiatives/proposals to be implemented in FY 2024.
- 3) What is the budgeted level of positions, current staffing level, and number of vacancies at the Public Lighting Authority? Please briefly discuss any current and proposed staffing initiatives.
- 4) As more residents voice their concerns about the city’s climate resiliency, how does the PLA handle extreme weather events and its impact on the streetlighting system? What are the PLA plans to preserve the system?
- 5) On June 7, 2022, the City of Detroit Auditor General issued the results of their performance audit of the PLA:
 - a) Please provide an update on the disposition of the nine (9) audit findings and recommendations for the PLA.
 - b) Under the Notes of Concern section, please provide the status of updating the Trust agreements, the O&M Interlocal Agreement, and the Construction & Financing Interlocal Agreement. Briefly describe the actions taken for issues raised in the audit regarding oversight of PLA activities and financials, and the activity of the Board of the Directors.
- 6) According to the PLA audited financial statements ending on June 30, 2022:

¹ City of Detroit Auditor General, A Performance Audit Of The Public Lighting Authority May 2022; Appendix C: Memo from the Law Department: “Public Lighting Authority and Detroit City Charter” page 82.

- a) Referencing page 7 (using the pdf paging number), assuming higher maintenance costs as PLA assets age, what is the PLA plan to absorb anticipated higher maintenance costs? Please explain how the city's reimbursement of actual O & M costs will impact the FY 2024 budget.
- b) What is considered extraordinary costs? Where is this defined in the interlocal agreements?
- c) On page 9, please explain the year-over-year increase in Other Operating Expense from \$9.6 million in FY 2021 to \$11 million in FY 2022, an increase of \$1.4 million.
- d) On page 24, the PLA will end its lease of office space and equipment in 2025/2026. Are there any plans to relocate operations?