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TO: The Honorable City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: May 12, 2023

RE: **NEIGHBORHOOD IMPROVEMENT PLAN BONDS (PROPOSAL N) FUNDS
STATUS AS OF MARCH 31, 2023**

This report is intended to give your Honorable Body an appropriation/cost center level status as of March 31, 2023, 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, the Citizens approved a total of \$250 million in bonds to be sold and the City issued the first \$175 million in February 2021. This was a very successful bond sale as the City of Detroit received an additional \$30.7 million in bond premium³ on top of the \$175 million with 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 were

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 2023 budget and FY 2023-2026 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 2023, the 83 budgeted positions in the Demolition Department will be paid from the Prop N NIB funds housed in appropriation 21003 Neighborhood Improvement Bonds.

Of the total bond proceeds of \$205.7 million, as of March 31, 2023, the City encumbered \$53.7 million and spent approximately \$89 million (including \$5.6 million spent in FY 2021, \$52.5 million spent in FY 2022, and \$30.8 million spent in FY 2023). Of the \$89 million spent as of March 31, 2023, \$79.8 million was spent on demolition contracts and \$9.1 million spent on payroll costs for City employees that are performing demolition related work. The remaining \$63.1 million is available to be spent in FY 2023 and beyond. We should note that the \$89 million spent through March 31, 2023, represents 43.2% of the total bond proceeds while 26.1% represents Encumbrances for FY2023 and 30.7% is available for use.

Below schedule summarizes funds status as of March 31, 2023, and it includes activities for fiscal years 2021, 2022, and 2023.

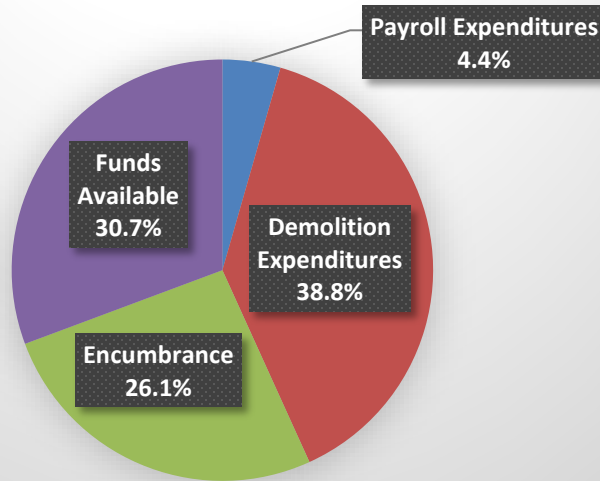
Cost Center	Cost Center Description	Total Budget	FY 2021 Actual Expense	FY 2022 Actual Expense	FY2023 Activity		Funds Available
					Encumbrances	Actual Expenditures	
160010	Demolition Administration	7,692,167	265,738	2,109,469	6,333	1,176,919	4,133,708
160020	Residential Demolition	188,777,644	3,642,293	47,502,486	53,675,836	26,858,989	57,098,040
160040	Demolition Environmental	739,250	42,286	422,454	1,325	559,451	(286,266)
160050	Demolition Compliance	7,103,500	259,831	2,502,704	5,938	2,166,229	2,168,798
351380	2018 UTGO Bonds	1,436,228	1,416,427	-	-	-	19,801
Grand Total		205,748,790	5,626,576	52,537,113	53,689,432	30,761,588	63,134,081

Below graph summarizes funds status in percent terms as of March 31, 2023, and it includes activities for fiscal years 2021, 2022, and 2023:

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.

Proposal N Bond Proceeds Funds Status as of March 31, 2023



Please refer to attachment I for cost center level detail for FY 2021, FY 2022, and FY 2023 actual expenditures, and funds available as of March 31, 2023.

For Council's edification, the Demolition Department reported in its Detroit Demolition Newsletter the following pertinent information:

- 3,520 homes have been demolished as of March 31, 2023
- 1,423 completed trash outs' (debris removal) as of March 31, 2023
- 1,455 completed stabilizations (roof repair) as of March 31, 2023
- 3,372 completed board-ups as of March 31, 2023

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

Attachment

cc: Auditor General's Office
Jay Rising, Chief Financial Officer
John Naglick, Chief Deputy CFO/Finance Director
Tanya Stoudemire, Chief Deputy CFO – Policy & Administration Director
Steven Watson, Deputy CFO/Budget Director
La Juan Counts, Director, Demolition Department
Steven Morris, Deputy Agency CFO, Demolition Department
Malik Washington, Mayor's Office

Appropriation 21003: Neighborhood Improvement Bonds

Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	FY2023 Activity		Funds Available		
							Encumbrances	Actual Expenditures			
160010	Demolition Administration	601100	Salar-Full Time-Gen City	2,867,000	180,069.84	1,140,225	-	773,124	773,581		
		601125	Salaries-Vacation Time	-	4,813	70,894	-	77,126	(152,833)		
		601130	Salaries-Holiday Pay	-	4,860	59,432	-	47,037	(111,329)		
		601600	Salaries For Employee Illness	-	-	5,941	-	9,802	(15,744)		
		602100	Wages-Full Time-Gen City	-	41,159	305,119	-	5,311	(351,590)		
		602125	Wages-Vacation Time	-	246	9,335	-	227	(9,808)		
		602130	Wages-Holiday Pay	-	942	16,554	-	664	(18,160)		
		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	-	25,968	(69,833)		
		603200	Emplr Pd Ben-Medical	-	3,433.42	87,629	-	50,514	(141,577)		
		603300	Employer Pd FICA	211,000	17,555.68	119,407	-	67,335	6,702		
		603400	Unemployment	-	3,685.19	17,059	-	7,869	(28,613)		
		603405	Workers' Compensation	-	213.08	25,572	-	15,881	(41,666)		
		603900	Emp Benefits-Miscellaneous	-	1,134.33	1,703	-	951	(3,788)		
		604100	Other Comp-Unused Sick Leave	-	500.00	7,718	-	5,493	(13,710)		
		604900	Other Comp-General City	-	-	200	-	300	(500)		
		605100	Group Life Insurance	-	15.43	308	-	205	(528)		
		605205	Eye Care-Active Civilian	-	19.23	356	-	258	(633)		
		605500	Income Protection-LTD	-	277.62	2,073	-	1,426	(3,777)		
		605620	Dental Active	-	188.05	3,217	-	2,156	(5,561)		
		605700	Health Care Reserve - Civilian	-	1,948.23	15,914	-	10,562	(28,425)		
		617900	Contract Svcs-Other-Misc	3,877,667	-	-	-	-	-	3,877,667	
		620100	Office Supplies	10,000	-	2,948	1,355	1,894	3,802		
		621800	Oper Supplies-Nursery Stock, Equip	-	-	-	-	3,247	-		
		621900	Oper Supplies-Miscellaneous	-	-	-	-	-	-		
		622302	Software Maintenance	300,000	-	2,252	66	4,042	293,640		
		626010	Advertising	25,000	-	-	-	-	25,000		
		626100	Printing	100,000	-	110,756	2,865	349	(13,970)		
		626415	Rentals- Office Equipment	50,000	-	-	-	-	50,000		
		626500	Dues & Miscellaneous	4,500	-	-	-	-	4,500		
		626700	Telecommunications	2,000	-	1,262	-	11,587	(10,849)		
		627105	Private Car Reimbursements	185,000	-	57,525	-	50,723	76,751		
627195	Employee Uniform Expense	5,000	-	-	-	739	4,261				
628100	Travel	-	-	926	-	1,935	(2,861)				
628200	Training	33,000	-	4,210	1,000	194	27,596				
644100	Acquisitions - Equipment	22,000	-	-	1,046	-	20,954				
Demolition Administration Total				7,692,167	265,738	2,109,469	6,333	1,176,919	4,136,955		
160020	Residential Demolition	617900	Contract Svcs-Other-Misc	16,000,000	-	7,364,089	8,477,073	7,214,675	(7,055,837)		
		620100	Office Supplies	-	-	-	-	-	-		
		621900	Oper Supplies-Miscellaneous	90,000	-	23,194	2,744	36,627	27,435		
		622400	Repairs & Maint-Facilities	10,800,000	-	-	-	-	10,800,000		
		622900	Repairs & Maint-Misc	13,500,000	-	2,547,537	703,752	712,704	9,536,006		
		622970	Abatement Services	26,390,717	828,467.00	10,487,805	10,222,332	4,104,656	747,457		
		622975	Demolition & Excavation Services	80,247,280	1,849,388.50	17,178,022	27,291,751	11,294,850	22,633,268		
		622980	Backfill & Grading Services	11,764,696	176,761.66	6,651,087	6,578,687	2,928,604	(4,570,443)		
		622985	Site Finalization Services	19,783,861	66,584.52	1,872,268	399,496	227,138	17,218,374		
		626804	Utilities-Electricity	50,000	-	4,111	-	-	45,889		
		627105	Private Car Reimbursements	-	-	-	-	-	-		
		628500	Miscellaneous Expense	5,670,000	-	-	-	-	5,670,000		
		628501	Misc-License,Insp&Permit Fees	4,481,092	721,091.60	1,374,374	-	339,735	2,045,892		
		Residential Demolition Total				188,777,644	3,642,293.28	47,502,486	53,675,836	26,858,989	57,098,040

Attachment I

Appropriation 21003: Neighborhood Improvement Bonds

Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	FY2023 Activity		Funds Available
							Encumbrances	Actual Expenditures	
160040	Demolition Environmental	601100	Salar-Full Time-Gen City	625,000	746.39	180,335.18	-	164,946.21	278,972
		601125	Salaries-Vacation Time	-	-	7,066	-	13,370	(20,436)
		601130	Salaries-Holiday Pay	-	132.69	7,879	-	9,046	(17,058)
		601300	Salar-Overtime-Gen City	10,000	-	-	-	-	10,000
		602100	Wages-Full Time-Gen City	-	37,313.44	167,863	-	293,276	(498,453)
		602125	Wages-Vacation Time	-	-	2,860	-	8,813	(11,672)
		602130	Wages-Holiday Pay	-	941.98	8,002	-	16,911	(25,855)
		603200	Emplr Pd Ben-Medical	-	140.54	893	-	1,021	(2,055)
		603300	Employer Pd FICA	48,000	2,992.88	28,163	-	37,879	(21,035)
		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	-	4,228	(1,627)
		627195	Employee Uniform Expense	1,750	-	-	-	287	1,463
		628200	Training	33,000	-	7,785	1,325	9,675	14,215
		644100	Acquisitions - Equipment	14,500	-	7,185	-	-	7,315
Demolition Environmental Total				739,250	42,286	422,454	1,325	559,451	(286,266)
160050	Demolition Compliance	601100	Salar-Full Time-Gen City	6,000,000	83,118.69	821,248	-	719,720.21	4,375,913
		601125	Salaries-Vacation Time	-	3,291.49	55,717	-	63,316.79	(122,326)
		601130	Salaries-Holiday Pay	-	2,535.45	38,742	-	40,498.45	(81,776)
		601300	Salar-Overtime-Gen City	22,000	-	-	-	-	22,000
		601600	Salaries For Employee Illness	-	-	-	-	5,942.07	(5,942)
		602100	Wages-Full Time-Gen City	-	137,828.26	1,186,714	-	976,923.05	(2,301,465)
		602105	Wages-Employee Casual Leave	-	828.06	12,569	-	18,211.60	(31,609)
		602125	Wages-Vacation Time	-	4,161.68	21,039	-	28,291.50	(53,492)
		602130	Wages-Holiday Pay	-	18.02	57,222	-	57,517.99	(114,758)
		602300	Wages-Overtime-Gen City	-	2,599.21	5,608	-	34,877.45	(43,085)
		603125	Emplr Pd Pension-GRS	-	3,921.76	22,309	-	16,226.07	(42,457)
		603200	Emplr Pd Ben-Medical	-	17,641.06	23,681	-	14,448.53	(55,770)
		603300	Employer Pd FICA	475,718	-	166,498	-	148,162.79	161,057
		603400	Unemployment	1,282	-	9,570	-	4,952.74	(13,241)
		603405	Workers' Compensation	-	1,761.00	11,355	-	7,267.51	(20,384)
		603900	Emp Benefits-Miscellaneous	-	113.69	956	-	598.33	(1,668)
		604100	Other Comp-Unused Sick Leave	-	606.26	4,333	-	3,456.91	(8,396)
		604900	Other Comp-General City	-	20.06	453	-	679.64	(1,153)
		605100	Group Life Insurance	-	21.53	201	-	142.10	(364)
		605205	Eye Care-Active Civilian	-	148.27	218	-	152.52	(518)
		605500	Income Protection-LTD	-	176.74	1,164	-	897.64	(2,238)
		605620	Dental Active	-	1,039.66	1,719	-	1,152.28	(3,911)
		605700	Health Care Reserve - Civilian	-	-	8,933	-	6,647.91	(15,581)
		621900	Oper Supplies-Miscellaneous	2,000	-	13,877	1,973	(835.32)	(13,015)
		626500	Dues & Miscellaneous	-	-	-	-	726.27	(726)
		626700	Telecommunications	24,500	-	15,177	-	10,619.40	(1,297)
		627135	Pur Svcs-Law Dept	500,000	-	-	-	-	500,000
		627195	Employee Uniform Expense	10,000	-	-	-	721.00	9,279
		628200	Training	33,000	-	11,905	3,965	4,500.00	12,630
		644100	Acquisitions - Equipment	35,000	-	11,496	-	-	23,504
645100	Acquisitions-WIP-Construction	-	-	-	-	413.29	(413)		
Demolition Compliance Total				7,103,500	259,830.89	2,502,704	5,938	2,166,229	2,168,798

Attachment I

Appropriation 21003: Neighborhood Improvement Bonds

Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	FY2023 Activity		Funds Available
							Encumbrances	Actual Expenditures	
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	53,689,432	30,761,587	63,137,328
				-	-	-	-	-	-
				FY2023 Activity					
Actual expenditures breakdown:				FY 2021	FY 2022	FY2023 Activity		Total	
						Encumbrances	Actual Expenditures		
Payroll				567,855	4,782,924		3,797,554	9,148,334	6.4%
Non-payroll				5,058,720	47,754,189	53,689,432	26,964,032	133,466,374	93.6%
Total				5,626,576	52,537,113	53,689,432	30,761,587	142,614,708	100%