

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

John Alexander  
Roland Amarteifio  
Megha Bamola  
LaKisha Barclift, Esq.  
Paige Blessman  
M. Rory Bolger, Ph.D., FAICP  
Eric Fazzini, AICP  
Willene Green  
Christopher Gulock, AICP


# 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

Derrick Headd  
Marcel Hurt, Esq.  
Kimani Jeffrey  
Phillip Keller, Esq.  
Edward King  
Kelsey Maas  
Jamie Murphy  
Analine Powers, Ph.D.  
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TO: The Honorable City Council

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: October 17, 2023

RE: **NEIGHBORHOOD IMPROVEMENT PLAN BONDS (PROPOSAL N) FUNDS  
STATUS AS OF JUNE 30, 2023**

This report is intended to give your Honorable Body an appropriation/cost center level status as of June 30, 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 bonds<sup>1</sup> 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 sale<sup>2</sup> 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 be sold and the City issued the first \$175 million in February 2021. This was a very successful bond sale as the City of

<sup>1</sup> 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.

<sup>2</sup> 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. Meanwhile, structures stabilized through bond funds are listed through the Detroit Land Bank Authority (DLBA)'s Own It Now and Auction programs, where all listings begin at \$1,000, but may sell for more depending on bidding activity.

Detroit received an additional \$30.7 million in bond premium<sup>3</sup> on top of the \$175 million with total bond proceeds of \$205.7 million.<sup>4</sup>

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 costs<sup>5</sup>. 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 June 30, 2023, the City has spent \$101.6 million (including \$5.6 million spent in FY 2021, \$52.5 million spent in FY 2022, and \$43.5 million spent in FY 2023). Of the \$101.6 million spent as of June 30, 2023, \$91.0 million was spent on demolition contracts and \$10.6 million spent on payroll costs for City employees that are performing demolition related work. We should note that the \$101.6 million spent through June 30, 2023, represents 49.4% of the total bond proceeds.

Please note that there are no encumbrances reported in the June 30, 2023 report. This is due to all valid encumbrances that existed in the Oracle financial system as of June 30, 2023 were zeroed out and moved over to the first month (July) of the new fiscal year, which is fiscal year FY 2024. As a result, encumbrances and funds available will be provided again in the September 30, 2023 Prop N NIB quarterly report.

We also would like to let this Honorable Body know that the City's fiscal year 2023 financial audit is currently ongoing and above expenditures are subject to post-closing audit adjustments.

Below schedule summarizes funds status as of June 30, 2023, and it includes activities for fiscal years 2021, 2022, and 2023.

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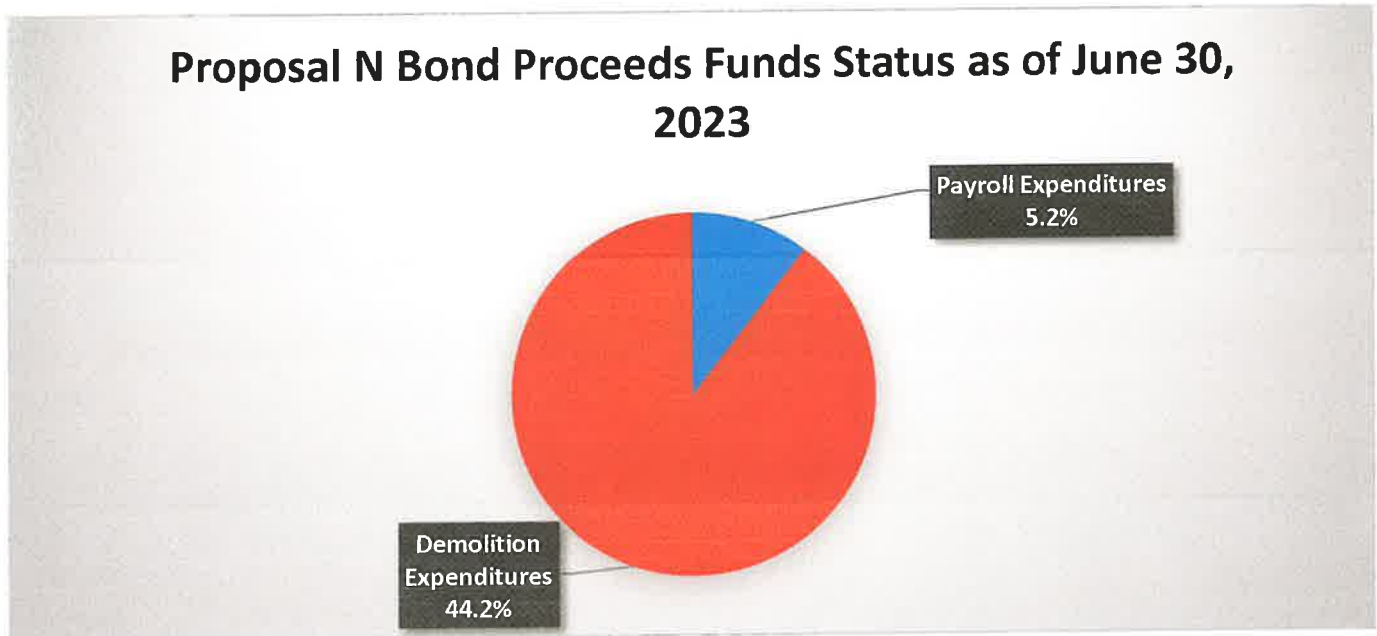
<sup>3</sup> According to the Office of the Chief Financial Officer, because there was a high demand for the Proposal N NIBs, along with market conditions at that time, the bonds sold at a premium, and the City was able to secure an additional \$30.75 million in bond proceeds as a bond premium. It is 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 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.

<sup>4</sup> It is important to note that on July 12, 2023, the City of Detroit issued the remaining \$75 million of the voter-approved \$250 million Proposal N UTGO Neighborhood Improvement Bonds for the purpose of property rehabilitation, demolition, and other blight remediation activities. It is anticipated that another 2,500 properties will either be demolished or stabilized with this latest bond sale. More details will provided in LPD's September 30, 2023 status report of the Proposal N NIBs.

<sup>5</sup> 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>FY 2023 Actual Expenditures</u>
160010	Demolition Administration	7,692,167	265,738	2,109,469	1,686,931
160020	Residential Demolition	188,777,644	3,642,293	47,502,486	37,986,315
160040	Demolition Environmental	739,250	42,286	422,454	781,450
160050	Demolition Compliance	7,103,500	259,831	2,502,704	2,998,761
351380	2018 UTGO Bonds	1,436,228	1,416,427	-	-
<b>Grand Total</b>		<b>205,748,790</b>	<b>5,626,576</b>	<b>52,537,113</b>	<b>43,453,457</b>

The graph below summarizes funds status in percent terms as of June 30, 2023, and it includes activities for fiscal years 2021, 2022, and 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 June 30, 2023.

Please let us know if we can be 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 & Administrator Director  
 Steven Watson, Deputy CFO/Budget Director  
 La Juan Counts, Director, 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	Encumbrances	FY2023 Activity	
								Actual Expenditures	Actual Expenditures
160010	Demolition Administration	601100	Salari-Full Time-Gen City	2,867,000	180,069.84	1,140,225	-	-	1,095,899
		601125	Salaries-Vacation Time	-	4,813	70,894	-	-	102,191
		601130	Salaries-Holiday Pay	-	4,860	59,432	-	-	63,392
		601600	Salaries For Employee Illness	-	-	5,941	-	-	10,088
		602100	Wages-Full Time-Gen City	-	41,159	305,119	-	-	5,311
		602125	Wages-Vacation Time	-	246	9,335	-	-	227
		602130	Wages-Holiday Pay	-	942	16,554	-	-	664
		602300	Wages-Overtime-Gen City	-	-	1,746	-	-	-
		602400	Wages-Shift Prem-Gen City	-	-	1	-	-	-
		603125	Emplr Pd Pension-GRS	-	4,677.24	39,187	-	-	36,396
		603200	Emplr Pd Ben-Medical	-	3,433.42	87,629	-	-	70,785
		603300	Employer Pd FICA	211,000	17,555.68	119,407	-	-	94,297
		603400	Unemployment	-	3,685.19	17,059	-	-	10,958
		603405	Workers' Compensation	-	213.08	25,572	-	-	22,003
		603900	Emp Benefits-Miscellaneous	-	1,134.33	1,703	-	-	1,366
		604100	Other Comp-Unused Sick Leave	-	500.00	7,718	-	-	7,707
		604900	Other Comp-General City	-	-	200	-	-	300
		605100	Group Life Insurance	-	15.43	308	-	-	279
		605205	Eye Care-Active Civilian	-	19.23	356	-	-	351
		605500	Income Protection-LTD	-	277.62	2,073	-	-	2,016
		605620	Dental Active	-	188.05	3,217	-	-	2,928
		605700	Health Care Reserve - Civilian	-	1,948.23	15,914	-	-	14,796
		617900	Contract Svcs-Other-Misc	3,877,667	-	-	-	-	-
		620100	Office Supplies	10,000	-	2,948	-	-	2,629
		621800	Oper Supplies-Nursery Stock, Equip	-	-	-	-	-	3,247
		621900	Oper Supplies-Miscellaneous	300,000	-	2,252	-	-	532
		622302	Software Maintenance	25,000	-	110,756	-	-	9,066
		626010	Advertising	100,000	-	-	-	-	-
		626100	Printing	50,000	-	-	-	-	2,879
		626415	Rentals- Office Equipment	50,000	-	-	-	-	-
		626500	Dues & Miscellaneous	4,500	-	-	-	-	-
		626700	Telecommunications	2,000	-	1,262	-	-	14,595
		627105	Private Car Reimbursements	185,000	-	57,525	-	-	80,394
		627195	Employee Uniform Expense	5,000	-	-	-	-	739
		628100	Travel	33,000	-	926	-	-	29,695
		628200	Training	22,000	-	4,210	-	-	194
		644100	Acquisitions - Equipment	7,692,167	265,738	2,109,469	-	-	1,046
		<b>Demolition Administration Total</b>		<b>7,692,167</b>	<b>265,738</b>	<b>2,109,469</b>	<b>1,686,931</b>	<b>1,686,931</b>	
160020	Residential Demolition	617900	Contract Svcs-Other-Misc	16,000,000	-	7,364,089	-	-	10,399,848
		620100	Office Supplies	-	-	-	-	-	-
		621900	Oper Supplies-Miscellaneous	90,000	-	23,194	-	-	53,738
		622400	Repairs & Maint-Facilities	10,800,000	-	-	-	-	-
		622900	Repairs & Maint-Misc	13,500,000	-	2,547,537	-	-	677,280
		622970	Abatement Services	26,990,717	-	10,487,805	-	-	6,699,776
		622975	Demolition & Excavation Services	80,247,280	828,467.00	17,178,072	-	-	14,943,125
		622980	Backfill & Grading Services	11,764,696	1,849,388.50	6,651,087	-	-	4,302,034
		622985	Site Finalization Services	19,783,861	176,761.66	1,872,268	-	-	284,059
		626804	Utilities-Electricity	50,000	66,584.52	4,111	-	-	-
		627105	Private Car Reimbursements	5,670,000	-	-	-	-	-
		628500	Miscellaneous Expense	4,481,092	721,091.60	1,374,374	-	-	626,455
		628501	Misc-License,Insp&Permit Fees	188,777,644	3,642,293.28	47,502,486	-	-	37,986,315
		<b>Residential Demolition Total</b>		<b>188,777,644</b>	<b>3,642,293.28</b>	<b>47,502,486</b>	<b>1,686,931</b>	<b>1,686,931</b>	

Appropriation 21003: Neighborhood Improvement Bonds

			FY2023 Activity					
Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	Encumbrances	Actual Expenditures
160040	Demolition Environmental	601100	Salar-Full Time-Gen City	625,000	746.39	180,335.18	-	233,157.61
		601125	Salaries-Vacation Time	-	-	7,066	-	17,124.89
		601130	Salaries-Holiday Pay	-	132.69	7,879	-	11,334.01
		601300	Salar-OverTime-Gen City	10,000	-	-	-	-
		602100	Wages-Full Time-Gen City	-	37,313.44	167,863	-	413,847.82
		602125	Wages-Vacation Time	-	-	2,860	-	11,247.14
		602130	Wages-Holiday Pay	-	941.98	8,002	-	22,957.21
		603125	Emplr Pd Pension-GRS	-	-	893	-	489.13
		603200	Emplr Pd Ben-Medical	-	140.54	-	-	1,022.28
		603300	Employer Pd FICA	48,000	2,992.88	28,163	-	53,094.75
		603400	Unemployment	-	-	-	-	145.77
		603405	Workers' Compensation	-	-	-	-	323.81
		603900	Emp Benefits-Miscellaneous	-	-	-	-	17.60
		604100	Other Comp-Unused Sick Leave	-	-	-	-	101.74
		605100	Group Life Insurance	-	1.91	2	-	-
		605205	Eye Care-Active Civilian	-	2.05	2	-	-
		605500	Income Protection-LTD	-	-	-	-	-
		605620	Dental/Active	-	14.44	18	-	26.41
		605700	Health Care Reserve - Civilian	-	-	-	-	-
		626700	Telecommunications	7,000	-	4,399	-	195.65
		627195	Employee Uniform Expense	1,750	-	-	-	6,462.75
		628200	Training	33,000	-	7,785	-	286.84
		644100	Acquisitions - Equipment	14,500	-	7,185	-	9,675.00
			<b>Demolition Environmental Total</b>	<b>739,250</b>	<b>42,286</b>	<b>422,454</b>	-	<b>781,450</b>
160050	Demolition Compliance	601100	Salar-Full Time-Gen City	6,000,000	83,118.69	821,248	-	1,014,047.21
		601125	Salaries-Vacation Time	-	3,291.49	55,717	-	85,825.35
		601130	Salaries-Holiday Pay	-	2,535.45	38,742	-	55,051.94
		601300	Salar-OverTime-Gen City	22,000	-	-	-	-
		601600	Salaries For Employee Illness	-	-	-	-	5,942.07
		602100	Wages-Full Time-Gen City	-	137,828.26	1,186,714	-	1,344,687.84
		602105	Wages-Employee Casual Leave	-	828.06	12,569	-	17,593.60
		602125	Wages-Vacation Time	-	4,161.68	21,039	-	41,894.62
		602130	Wages-Holiday Pay	-	18.02	57,222	-	75,795.36
		602300	Wages-OverTime-Gen City	-	2,599.21	5,608	-	50,726.32
		603125	Emplr Pd Pension-GRS	-	3,921.76	22,309	-	22,960.99
		603200	Emplr Pd Ben-Medical	-	17,641.06	23,681	-	20,527.71
		603300	Employer Pd FICA	475,718	-	166,498	-	205,024.69
		603400	Unemployment	1,282	-	9,570	-	6,950.08
		603405	Workers' Compensation	-	1,761.00	11,355	-	10,214.30
		603900	Emp Benefits-Miscellaneous	-	113.69	956	-	863.91
		604100	Other Comp-Unused Sick Leave	-	606.26	4,333	-	4,894.77
		604900	Other Comp-General City	-	20.06	453	-	953.69
		605100	Group Life Insurance	-	21.53	201	-	199.40
		605205	Eye Care-Active Civilian	-	148.27	218	-	214.02
		605500	Income Protection-LTD	-	176.74	1,164	-	1,272.18
		605620	Dental Active	-	1,039.66	1,719	-	1,627.78
		605700	Health Care Reserve - Civilian	-	-	8,933	-	9,382.37
		621900	Oper Supplies-Miscellaneous	2,000	-	13,877	-	(835.32)
		626700	Telecommunications	24,500	-	15,177	-	726.27
		627135	Pur Svcs-Law Dept	500,000	-	-	-	16,585.26
		627195	Employee Uniform Expense	10,000	-	-	-	721.00
		628200	Training	33,000	-	11,905	-	4,500.00
		644100	Acquisitions - Equipment	35,000	-	11,496	-	-
		645100	Acquisitions-WIP-Construction	-	-	-	-	413.29
			<b>Demolition Compliance Total</b>	<b>7,109,500</b>	<b>259,880.89</b>	<b>2,502,704</b>	-	<b>2,998,761</b>

Appropriation 21003: Neighborhood Improvement Bonds

Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	FY2023 Activity	
							Encumbrances	Actual Expenditures
351380	2018 UTGO Bonds	705100	Bond Sale Expense	1,436,228.13	1,416,427.15	-	-	-
	2018 UTGO Bonds Total			<b>1,436,228.13</b>	<b>1,416,427.15</b>	-	-	-
	<b>Grand Total</b>			<b>205,748,790</b>	<b>5,626,576</b>	<b>52,537,113</b>	-	<b>43,453,457</b>

Actual expenditures breakdown:				FY 2022		FY2023 Activity		Total
	FY 2021	FY 2022	Encumbrances	Actual Expenditures	Encumbrances	Actual Expenditures	Total	
Payroll	567,855	4,782,924		5,289,592			10,634,371	
Non-payroll	5,058,720	47,754,189		38,169,865			90,982,775	
<b>Total</b>	<b>5,626,576</b>	<b>52,537,113</b>		<b>43,453,457</b>			<b>101,617,146</b>	