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TO: The Honorable City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: December 4, 2023

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

This report is intended to give your Honorable Body an appropriation/cost center level status as of September 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, 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 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

Also, as your Honorable Body knows, 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. This was also a very successful bond sale as the City of Detroit received an additional \$3.0 million in bond premium⁴ on top of the \$75 million with total bond proceeds of \$78.0 million.

As a result of the two Proposal N UTGO NIB bond sales, the City of Detroit has total bond proceeds of \$283.7 million for the purpose of property rehabilitation, demolition and other blight remediation activities.

The Legislative Policy Division (LPD) also notes that since City Council approved appropriation 21003 to house the Prop N NIB proceeds of \$205.7 million 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 2024 budget and FY 2024-2027 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.⁵

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 costs⁶. For FY 2024, the 88 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 \$283.7 million, as of September 30, 2023, the City encumbered \$73.7 and spent approximately \$119 million (including \$5.6 million spent in FY 2021, \$52.5 million spent in FY 2022, \$43.5 million spent in FY 2023, and \$17.3 million spent in FY 2024).

Of the \$119 million spent as of September 30, 2023, \$107.2 million was spent on demolition contracts and \$11.7 million spent on payroll costs for City employees that are performing demolition related work. The remaining \$91.1 million is available to be spent in FY 2024 and beyond. We should note that the \$119 million spent through September 30, 2023, represents 41.9% of the total bond proceeds while 26% represents Encumbrances for FY2024 and 32.1% is available.

\$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.

⁴ According to the Office of the Chief Financial Officer, because there was a high demand for the July 2023 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 \$3 million in bond proceeds as a bond premium.

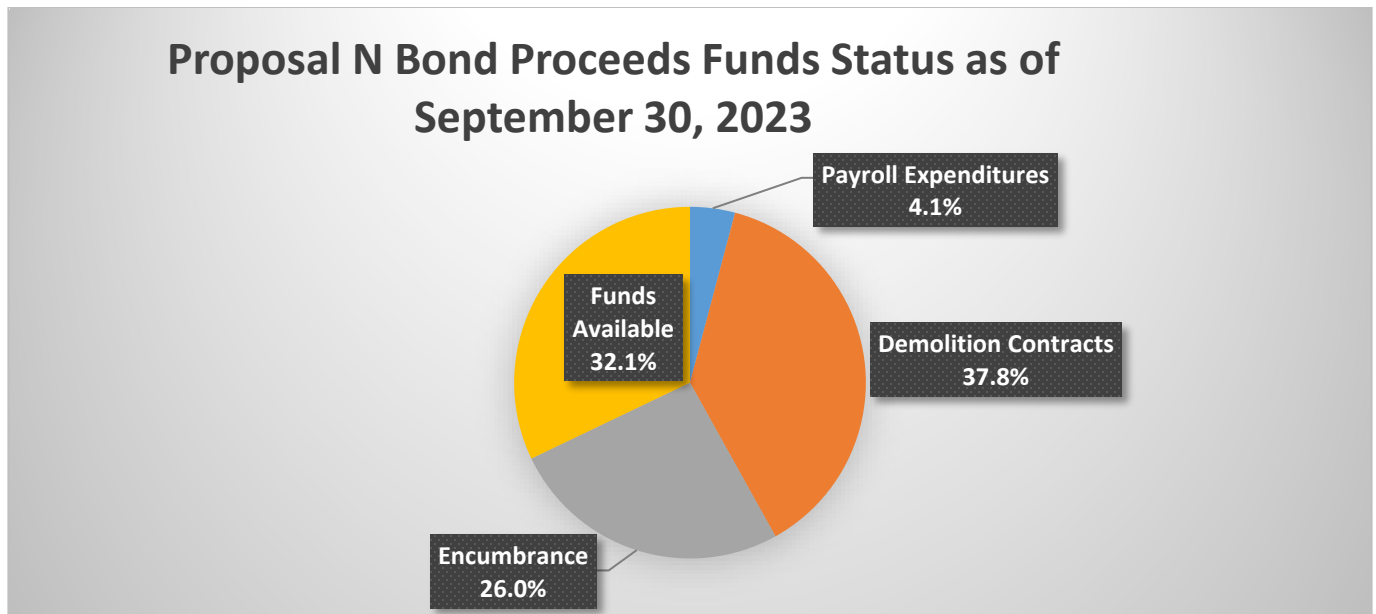
⁵ The \$78 million in Prop N NIB bond proceeds was received in July 2023, or FY 2024, and are not reflected in the FY 2024 budget and FY 2024-2027 four-year financial plan . The July 2023 bond proceeds were deposited into appropriation 21004 2023-Neighborhood Improvement Bonds. LPD is requesting the OCFO to seek Council approval for the use of this appropriation for the July 2023 bond proceeds.

⁶ 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.

Below schedule summarizes funds status as of September 30, 2023, and it includes activities for fiscal years 2021, 2022, 2023 and 2024.

Appropriation	Appropriation Description	Cost Center	Cost Center Description	Total Budget	FY 2021 Actual Expenditure	FY 2022 Actual Expenditure	FY 2023 Actual Expenditure	FY2024 Activity		Funds Available
								Encumbrances	Actual Expenditures	
21003	Neighborhood Improvement Bonds	160010	Demolition Administration	7,692,167	265,738	2,109,469	1,686,931	2,502	364,289	3,263,238
		160020	Residential Demolition	188,777,644	3,642,293	47,502,486	37,986,315	44,762,140	15,256,509	39,627,901
		160040	Demolition Environmental	739,250	42,286	422,454	781,450	1,325	119,619	(627,884)
		160050	Demolition Compliance	7,103,500	259,831	2,502,704	2,998,761	5,938	632,929	703,337
		351380	2018 UTGO Bonds	1,436,228	1,416,427	-	-	-	-	19,801
21004	2023-Neighborhood Improvement F	160010	Demolition Administration	2,994,363					679,105	2,315,258
		160020	Residential Demolition	75,000,972				28,928,096	275,418	45,797,458
Grand Total				283,744,125	5,626,576	52,537,113	43,453,457	73,700,001	17,327,869	91,099,108

Below graph summarizes funds status in percent terms as of September 30, 2023, and it includes activities for fiscal years 2021, 2022, 2023 and 2024:



Please refer to attachment I for cost center level detail for FY 2021, FY 2022, FY 2023 and FY2024 actual expenditures, and funds available as of September 30, 2023.

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

Attachments

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, Construction & Demolition Department
Regina Greear, Deputy CFO, Office of Departmental Financial Services
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 Actual Expenditures	FY2024 Activity		
								Encumbrances	Expenditures	Funds Available
160010	Demolition Administration	601100	Salar-Full Time-Gen City	2,867,000	180,069.84	1,140,225	1,095,839	-	242,729	208,137
		601125	Salaries-Vacation Time	-	4,813	70,894	102,191	-	28,051	(205,949)
		601130	Salaries-Holiday Pay	-	4,860	59,432	63,392	-	6,408	(134,093)
		601600	Salaries For Employee Illness	-	-	5,941	10,088	-	-	(16,029)
		602100	Wages-Full Time-Gen City	-	41,159	305,119	5,311	-	7,424	(359,014)
		602125	Wages-Vacation Time	-	246	9,335	227	-	-	(9,808)
		602130	Wages-Holiday Pay	-	942	16,554	664	-	256	(18,416)
		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	36,396	-	6,068	(86,329)
		603200	Emplr Pd Ben-Medical	-	3,433.42	87,629	70,785	-	13,855	(175,703)
		603300	Employer Pd FICA	211,000	17,555.68	119,407	94,297	-	21,081	(41,341)
		603400	Unemployment	-	3,685.19	17,059	10,958	-	1,601	(33,303)
		603405	Workers' Compensation	-	213.08	25,572	22,003	-	2,035	(49,823)
		603900	Emp Benefits-Miscellaneous	-	1,134.33	1,703	1,366	-	616	(4,820)
		604100	Other Comp-Unused Sick Leave	-	500.00	7,718	7,707	-	1,878	(17,802)
		604900	Other Comp-General City	-	-	200	300	-	-	(500)
		605100	Group Life Insurance	-	15.43	308	279	-	43	(646)
		605205	Eye Care-Active Civilian	-	19.23	356	351	-	59	(786)
		605500	Income Protection-LTD	-	277.62	2,073	2,016	-	508	(4,875)
		605205	Eye Care-Active Civilian	-	-	-	20	-	-	(20)
		605620	Dental Active	-	188.05	3,217	2,928	-	486	(6,818)
		605700	Health Care Reserve - Civilian	-	1,948.23	15,914	14,796	-	3,078	(35,737)
		617900	Contract Svcs-Other-Misc	3,877,667	-	-	-	-	-	3,877,667
		620100	Office Supplies	10,000	-	2,948	2,629	1,127	1,484	1,813
		621800	Oper Supplies-Nursery Stock, Equip	-	-	-	3,247	-	-	(3,247)
		621900	Oper Supplies-Miscellaneous	-	-	-	532	-	-	(532)
		622302	Software Maintenance	300,000	-	2,252	9,066	-	1,018	287,664
		626010	Advertising	25,000	-	-	-	-	-	25,000
		626100	Printing	100,000	-	110,756	2,879	375	-	(14,010)
		626415	Rentals- Office Equipment	50,000	-	-	-	-	-	50,000
		626500	Dues & Miscellaneous	4,500	-	-	-	-	1,000	3,500
		626700	Telecommunications	2,000	-	1,262	14,595	-	429	(14,287)
		627105	Private Car Reimbursements	185,000	-	57,525	80,394	-	20,726	26,355
		627195	Employee Uniform Expense	5,000	-	-	739	-	-	4,261
		628100	Travel	-	-	926	29,695	-	3,350	(33,971)
		628101	Travel Advance	-	-	-	-	-	108	(108)
		628200	Training	33,000	-	4,210	194	1,000	-	27,596
		644100	Acquisitions - Equipment	22,000	-	-	1,046	-	-	20,954
	Demolition Administration Total			7,692,167	265,738	2,109,469	1,686,931	2,502	364,289	3,263,238
160020	Residential Demolition	617900	Contract Svcs-Other-Misc	16,000,000	-	7,364,089	10,399,848	9,523,091	826,850	(12,113,879)
		620100	Office Supplies	-	-	-	-	-	-	-
		621900	Oper Supplies-Miscellaneous	90,000	-	23,194	53,738	4,375	8,435	259
		622400	Repairs & Maint-Facilities	10,800,000	-	-	-	-	(1,323,532)	12,123,532
		622900	Repairs & Maint-Misc	13,500,000	-	2,547,537	677,280	472,246	308,253	9,494,684
		622970	Abatement Services	26,390,717	828,467.00	10,487,805	6,699,776	4,979,962	3,660,589	(265,881)
		622975	Demolition & Excavation Services	80,247,280	1,849,388.50	17,178,022	14,943,125	25,045,140	8,491,036	12,740,568
		622980	Backfill & Grading Services	11,764,696	176,761.66	6,651,087	4,302,034	4,490,283	3,016,282	(6,871,752)
		622985	Site Finalization Services	19,783,861	66,584.52	1,872,268	284,059	247,043	216,476	17,097,431
		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	626,455	-	52,122	1,707,050
	Residential Demolition Total			188,777,644	3,642,293.28	47,502,486	37,986,315	44,762,140	15,256,509	39,627,900

Appropriation 21003: Neighborhood Improvement Bonds

FY2024 Activity

Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	FY2023 Actual Expenditures	Encumbrances	Expenditures	Funds Available
160040	Demolition Environmental	601100	Salar-Full Time-Gen City	625,000	746.39	180,335.18	233,157.61	-	16,037	194,723
		601125	Salaries-Vacation Time	-	-	7,066	17,124.89	-	1,567	(25,758)
		601130	Salaries-Holiday Pay	-	132.69	7,879	11,334.01	-	313	(19,660)
		601300	Salar-Overtime-Gen City	10,000	-	-	-	-	-	10,000
		602100	Wages-Full Time-Gen City	-	37,313.44	167,863	413,847.82	-	85,581	(704,605)
		602125	Wages-Vacation Time	-	-	2,860	11,247.14	-	5,618	(19,725)
		602130	Wages-Holiday Pay	-	941.98	8,002	22,957.21	-	2,087	(33,988)
		603125	Emplr Pd Pension-GRS	-	-	-	489.13	-	-	(489)
		603200	Emplr Pd Ben-Medical	-	140.54	893	1,022.28	-	-	(2,056)
		603300	Employer Pd FICA	48,000	2,992.88	28,163	53,034.75	-	8,415	(44,606)
		603400	Unemployment	-	-	-	145.77	-	-	(146)
		603405	Workers' Compensation	-	-	-	323.81	-	-	(324)
		603900	Emp Benefits-Miscellaneous	-	-	-	17.60	-	-	(18)
		604100	Other Comp-Unused Sick Leave	-	-	-	101.74	-	-	(102)
		605100	Group Life Insurance	-	1.91	2	-	-	-	(4)
		605205	Eye Care-Active Civilian	-	2.05	2	-	-	-	(4)
		605500	Income Protection-LTD	-	-	-	26.41	-	-	(26)
		605620	Dental Active	-	14.44	18	-	-	-	(33)
		605700	Health Care Reserve - Civilian	-	-	-	195.65	-	-	(196)
		626700	Telecommunications	7,000	-	4,399	6,462.75	-	-	(3,862)
		627195	Employee Uniform Expense	1,750	-	-	286.84	-	-	1,463
		628200	Training	33,000	-	7,785	9,675.00	1,325	-	14,215
		644100	Acquisitions - Equipment	14,500	-	7,185	-	-	-	7,315
		Demolition Environmental Total				739,250	42,286	422,454	781,450	1,325
160050	Demolition Compliance	601100	Salar-Full Time-Gen City	6,000,000	83,118.69	821,248	1,014,047.21	-	223,081	3,858,505
		601125	Salaries-Vacation Time	-	3,291.49	55,717	85,825.35	-	19,890	(164,724)
		601130	Salaries-Holiday Pay	-	2,535.45	38,742	55,051.94	-	5,516	(101,845)
		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	1,344,687.84	-	288,638	(2,957,868)
		602105	Wages-Employee Casual Leave	-	828.06	12,569	17,593.60	-	-	(30,991)
		602125	Wages-Vacation Time	-	4,161.68	21,039	41,894.62	-	11,955	(79,050)
		602130	Wages-Holiday Pay	-	18.02	57,222	75,795.36	-	7,291	(140,326)
		602300	Wages-Overtime-Gen City	-	2,599.21	5,608	50,726.32	-	15,390	(74,324)
		603125	Emplr Pd Pension-GRS	-	3,921.76	22,309	22,960.99	-	4,658	(53,850)
		603200	Emplr Pd Ben-Medical	-	17,641.06	23,681	20,527.71	-	5,268	(67,117)
		603300	Employer Pd FICA	475,718	-	166,498	205,024.69	-	43,543	60,652
		603400	Unemployment	1,282	-	9,570	6,950.08	-	1,211	(16,449)
		603405	Workers' Compensation	-	1,761.00	11,355	10,214.30	-	1,139	(24,470)
		603900	Emp Benefits-Miscellaneous	-	113.69	956	863.91	-	466	(2,399)
		604100	Other Comp-Unused Sick Leave	-	606.26	4,333	4,894.77	-	1,420	(11,254)
		604900	Other Comp-General City	-	20.06	453	953.69	-	238	(1,664)
		605100	Group Life Insurance	-	21.53	201	199.40	-	50	(471)
		605205	Eye Care-Active Civilian	-	148.27	218	214.02	-	53	(633)
		605500	Income Protection-LTD	-	176.74	1,164	1,272.18	-	384	(2,997)
		605620	Dental Active	-	1,039.66	1,719	1,627.78	-	412	(4,799)
		605700	Health Care Reserve - Civilian	-	-	8,933	9,382.37	-	2,328	(20,643)
		621900	Oper Supplies-Miscellaneous	2,000	-	13,877	(835.32)	1,973	-	(13,015)
		626500	Dues & Miscellaneous	-	-	-	726.27	-	-	(726)
		626700	Telecommunications	24,500	-	15,177	16,585.26	-	-	(7,262)
		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	4,500.00	3,965	-	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	2,998,761	5,938	632,929	703,337

Appropriation 21003: Neighborhood Improvement Bonds				FY2024 Activity						
Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	FY2023 Actual Expenditures	Encumbrances	Expenditures	Funds Available
351380	2018 UTGO Bonds	705100	Bond Sale Expense	1,436,228	1,416,427	-	-	-	-	19,801
	2018 UTGO Bonds Total			1,436,228	1,416,427	-	-	-	-	19,801
Appropriation 21003: Neighborhood Improvement Bonds Total				204,312,561	4,210,148	52,537,113	43,453,457	44,771,906	16,373,346	42,966,590
Appropriation 21004: 2023-Neighborhood Improvement Bonds										
160010	Demolition Administration	601100	Salar-Full Time-Gen City	2,315,258	-	-	-	-	-	2,315,258
		705100	Bond Sale Expense	679,105	-	-	-	-	679,105	-
	Demolition Administration Total			2,994,363	-	-	-	-	679,105	2,315,258
160020	Residential Demolition	617900	Contract Svcs-Other-Misc	2,631,569	-	-	-	-	-	2,631,569
		622400	Repairs & Maint-Facilities	12,407,961	-	-	-	-	-	12,407,961
		622970	Abatement Services	14,815,763	-	-	-	5,177,889	76,898	9,560,976
		622975	Demolition & Excavation Services	15,514,152	-	-	-	19,145,694	131,204	(3,762,746)
		622980	Backfill & Grading Services	14,815,763	-	-	-	3,080,562	39,179	11,696,022
		622985	Site Finalization Services	14,815,763	-	-	-	1,523,951	28,137	13,263,676
	Residential Demolition Total			75,000,972	-	-	-	28,928,096	275,418	45,797,458
Appropriation 21004: 2023-Neighborhood Improvement Bonds Total				77,995,335	-	-	-	28,928,096	954,523	48,112,716
Grand Total				283,744,125	5,626,576	52,537,113	43,453,457	73,700,002	17,327,870	91,099,107
				0	-	-	-	-	-	-
Actual expenditures breakdown:				FY2024 Activity						
				FY 2021	FY 2022	FY 2023	Encumbrances	Actual Expenditures	Total	
	Payroll			567,855	4,782,924	5,283,592	-	1,088,722	11,723,093	6.1%
	Non-payroll			5,058,720	47,754,189	38,169,865	73,700,002	16,239,148	180,921,925	93.9%
	Total			5,626,576	52,537,113	43,453,457	73,700,002	17,327,870	192,645,018	100%